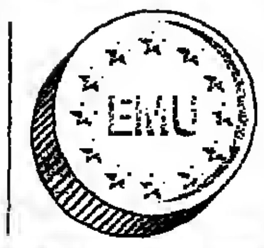
FINANCIAL TIMES

Civil liberties
First serious test for Hong Kong's next leader
Page 6

Micromachines
The automated cockroach is coming
Page 14

Extra-terrestrials
Darwin telescope leads the search
Technology, Page 11



The euro
A major role in capital markets
Preparing for Emu, Page 3

World Business Newspaper http://www.FT.com TUESDAY APRIL 15 1997

Russia gets $6bn confidence vote from World Bank

Russia's new economic team won an international vote of confidence as the World Bank announced a $6bn loan programme over two years. It follows the International Monetary Fund's promise to re-start an interrupted $10bn programme. As well as easing a situation of unpaid wages and pensions, part of the World Bank lending would be directed at resettling Russians from the depressed north. Page 16

Concert, the alliance of MCI of the US and British Telecommunications, was chosen by Portugal Telecom as its strategic partner, initiating realignments that will reshape the telecoms industry in Europe and the Americas. Page 17; Observer, Page 15; Lex, Page 16

GEC Alsthom, the Anglo-French transport equipment group, announced a $162m contract to supply and maintain eight eight-car trains for the London to Gatwick airport express service. It is the group's first UK train order since the privatisation of British Rail. Page 10

Sony candidate talked to Channel 4

Cardiff-born Howard Stringer (left), who is being considered for Sony's top job in the US, has also emerged as a possible candidate for chief executive of Channel Four, the UK television station. Educated st Oxford, the television executive worked his way up from a clerk's position to head the CBS network in the US. Page 17

Crackdown sought on music pirates: Music industry executives meet in Rome this week to discuss the feasibility of investing in an international network of specialist units devoted to cracking down on music piracy. Page 7

General Motors reported its best quarterly performance in North America for more than a decade, beating Wall Street's expectations for its rebounding profitability and giving a big push to its stop-go recovery of the mid-1990s. Page 17

Civil liberties laws stir interest in HK: After publishing proposals on new civil liberties laws, Hong Kong's government-in-waiting had to order an additional print run of 10,000 explanatory documents. Page 6

S Korea delays bank shake-up: A Sonth Korean panel on financial reform proposed short-term measures to deregulate the financial industry, but delayed until later this year controversial recommendations for restructuring the troubled banking sector. Page 6

Singapore Airlines confirmed it had held talks with Ansett of Australia and its main shareholder, Air New Zealand, on the possibility of a commercial relationship. Page 7

Bulgaria to sell refinery: Bulgaria's caretaker government approved a plan to privatise up to 75 per cent of the Neftochim oil refinery, the largest in the Balkan region.

Pearl gives AMP a lift: A one-off gain from UK subsidiary Pearl Group helped Australian Mutual Provident, the financial services provider, to overcome lower investment returns and post a net profits increase for 1996 from A$1.9bn to A$2.1bn ($1.64bn). Page 17

Camelot, the consortium that operates the UK's national lottery, failed in a second attempt in the High Court to halt a rival lottery game run by three betting shop chains. Page 10

Backpack drug haul: Customs officials in New Delhi held an American after seizing $620,000 worth of hashish as he prepared to leave for Amsterdam. They said 22kg of the cannabis product was concealed in a backpack.

$25m for Palestinian housing: The World Bank has pledged $25m to build badly needed housing in the West Bank and Gaza Strip.

Bugs found in Vienna hotel: Workmen renovating a Vienna hotel found $100,000 worth of listening devices in the walls, said the Austrian weekly Profil. It said German intelligence sources told Austria's secret service the bugs may have been put in the Marriott hotel by the CIA to eavesdrop on Iranian and Iraqi delegations to last November's OPEC meeting.

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STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	6366.41	(-25.28)
NASDAQ Composite	1201.67	(-5.03)
Europe and Far East		
CAC40	2566.13	(-8.43)
DAX	3279.90	(-60.15)
FTSE 100	4251.7	(-19.0)
Nikkei	17692.47	(-154.51)

US LUNCHTIME RATES

Federal Funds	$5\frac{1}{2}$%
3-mth Treas Bills: Yld	5.277%
Long Bond	$93\frac{1}{4}$
Yield	7.178%

OTHER RATES

UK: 3-mo Interbank	$6\frac{11}{32}$%	($6\frac{3}{8}$%)
UK: 10 yr Gilt	$97\frac{2}{32}$	($96\frac{1}{32}$)
France: 10 yr OAT	97.80	(97.65)
Germany: 10 yr Bund	100.42	(100.23)
Japan: 10 yr JGB	105.8772	(105.888)

NORTH SEA OIL (Argus)

Brent Dated	$17.66	(17.435)

GOLD

New York: Comex	$346.4	(347)
London: close	$346.75	(346.05)

DOLLAR

New York: lunchtime		
£	1.6218	
DM	1.72575	
FFr	5.805	
SFr	1.4665	
Y	126.515	
London:		
£	1.6227	(1.625)
DM	1.7233	(1.7241)
FFr	5.7959	(5.8)
SFr	1.4685	(1.4679)
Y	126.34	(126.14)
Tokyo close:	Y 126.05	

STERLING

DM	2.7964	(2.8015)

9 770174 738128 16

Figures show economy still faces problems

Japan seeks to calm US fears over weak yen

By Gillian Tett in Tokyo

Japanese officials yesterday sought to calm US fears that Japan was using a weak yeo to boost its growth and insisted that domestic demand would increase this year, in spite of recent tax rises.

However, the commeots came amid fresb signs that Japan's domestic economy is still dogged by problems.

Credit company data showed that bad loans resulting from company bankruptcies hit record levels in the last fiscal year – mainly because of the failure of large companies depeodeot on domestic demand.

Yesterday's declarations are unlikely to calm US unease abont the direction of Japanese economic policy.

US officials are privately forecasting that Japan's current account surplus is likely to rise sharply this year, as the weak yen boosts exports and tax increases damp domestic growth.

On a visit to Tokyo earlier this month Mr Robert Rubin, US treasury secretary, was generally supportive of Japanese economic policy, but he said Japan should achieve domestic demand-led economic growth to prevent a significant increase in the current account surplus.

Mr Hiroshi Mitsuzuka, Japan's finance minister, yesterday tried to allay these fears by insisting that Japan did not wish to aee further falls in the currency. "The recent movements of the yen [against the dollar] bave clearly been overdone ... [Monetary authorities] will act decisively at an appropriate time against such excessive moves in the foreign exchange markets," he told journalists and bankers.

Bnt after hearing similar threats last week, some traders suspect that the government is still reluctant to act in support of the yen.

The currency actually weakened after Mr Yasuo Matsushita, governor of the Bank of Japan, warned that foreign exchange movements would not "dictate monetary policy" – fuelling expectations that interest rates would remain low in Japan for now.

The yen yesterday closed at Y126.44 against the dollar in Tokyo – only a fraction below the 55-month low of Y127 it reached last Thursday, and sharply lower than the Y85 trading level two years ago.

Mr Matsushita admitted that growth would slow this summer because of Japan's recent fiscal tightening, which included a rise in tha consumption tax at the start of this month.

The government is projecting economic expansion of 1.9 per cent this fiscal year, down from 2.5 per cent last year.

But in spite of US fears that fiscal tightening is inappropriate in Japan at present, Mr Matsushita insisted in Tokyo that "the recovery trend will continne" later in the year.

This upbeat message was echoed by Mr Mitsuzuka, who said domestic demand would propel this expansion, since "Japan will not use exports as the price locomotive for growth".

Nevertheless, most private sector economists expect external demand to provide a key motor for growth in the next few months.

Japanese securities houses face tough new penalties for illegal trading activities under plans to be introduced by the country's finance ministry.

The ministry's crackdown comes amid the widening scandal over alleged illegal trading by the top four Japanese brokers.

Full report, Page 6

Hiroshi Mitsuzuka at a news conference yesterday in which he tried to allay US fears about the weak yen Picture: Reuter

Russia and Iraq reach agreement to develop oilfield

By Robert Corzine and Roula Khalaf in London

Iraq's parliament has ratified an oil agreement with Russia in defiance of the hardening US attitude towards Baghdad.

Russia says the agreement does not violate the United Nations embargo governing investment in Iraq and unauthorised export of Iraqi oil, bnt western diplomats said yesterday it threatened to undermine sanctions put in place seven years ago.

The Russian deal, to develop the Qurna oilfield in southern Iraq, is the most detailed agreement to emerge between Iraq and foreign companies keen to gain access to the world's second largest oil reserves.

Some western oil companies have reached "understandings" with Iraq regarding the development of certain oilfields, although such arrangements are thonght to fall short of contracts.

Bnt Baghdad oewspapers have claimed that the deal includes a commitment that the Russians spend $200m on activities related to the project, in spite of sanctions. A $100m loan to Iraq for equipment is another requirement. Russian oil executives were not available to comment yesterday on whether the money would be spent inside Iraq.

Western oil companies yesterday said the Russian deal went beyond other arrangements which had been made with Baghdad. Elf Aquitaine, the French oil group which was one of the first western companies to resume talks with the Iraqis after the end of the Gulf war, yesterday said it only had an assurance that it woold be treated favourably once the embargo was lifted.

Although Russia has agreed not to go ahead with the development until the sanctions are lifted, one western diplomat yesterday said a "grey area" in the sanctions regime could allow some investment to be made in oil

Continued on Page 16

$825m buy-out to create shipping giant

By James Kynge in Singapore

Neptune Orient Lines, the Singaporean shipping company, plans to buy APL, its US-based competitor, in an $825m deal which will create one of the world's top five shipping concerns.

The acquisition is driven by the need to cut costs and boost efficiency in a fiercely competitive global market.

The same reasons lay behind last year's move by Nedlloyd, the Dutch line, and P&O of the UK to merge their container shipping interests.

NOL said the purchasa would result in cost savings of $130m a year after a rationalisation programme is complete. That could be finished in 18 to 24 months following completioo of the purchase in the third quarter of this year, NOL added. The new group would have assets of $4.5bn and a joint 1996 turnover of $4.1bn.

APL, which is listed on the New York and Pacific stock exchanges, will become a wholly-owned NOL subsidiary but will keep its name, corporate identity and existing management in Oakland, California. Under the deal NOL – which is 36 per cent owned by Singapore's government holding company Temasek – will buy all 24.6m outstanding APL shares at $33.50 a share.

Both companies' directors have approved the deal, but it is subject to review under US anti-trust laws and by the US Maritime Administration.

"The two companies have a lot of synergies," said Mr Herman Hochstadt, NOL's chairman. "The fit is very good."

The group will offer the most comprehensive shipping services in the transpacific and Asia-Europe routes oo top of an extensive intra-Asian service, NOL said.

It will have 113 vessels including 76 container ships with a total capacity of 200,000 20-foot equivalent units (teus) and will be the single largest customer of the port of Singapore, accounting for 10 per cent of its annual container throughput.

NOL employs about 4,800 people worldwide, while APL has about 4,000 employees.

Cost efficiencies are likely to come mainly from NOL's ability to use APL's sophisticated container terminals in the US.

APL is expected to benefit from NOL's strong marketing abilities in Asia – reinforced

Continued on Page 16

Shipshape

	Neptune Orient	APL
Headquarters	Singapore	Oakland Ca., US
Total assets $bn	2.66	1.88
Total revenue $bn	1.36	2.74
Existing ship fleet	73	40
Container volume teus	736,000	1,016,000
Number of employees	4,800	4,000

Source: Companies

Germany's BHW to finance expansion with $870m issue

By Andrew Fisher in Frankfurt

BHW Holding, the German building finance group, is to launch the country's biggest new equity issue this year, with plans to raise DM1.5bn ($870m) to finance expansion at home and abroad.

The issue could be the largest in 1997, followed by the Pro Sieben media concern which is expected to raise about DM1bn in June. However, it will fall well short of the DM20bn raised by Deutsche Telekom in its share sale last November.

The listing will provide the German stock market with its first purely building finance company. BHW, whose main shareholders are trade union and public sector employee holding companies, raised net income last year by 26 per cent to DM190m.

Mr Reinhard Wagner, chairman, said BHW wanted to become the leading private housing finance group in Germany by 2000. This position is held by Schwäbisch Hall, controlled by co-operative banks.

The price range for the shares under the bookbuilding method of assessing investor interest was set at between DM22 and DM28. The issue will comprise 47m new shares, with a further 7m available under the greenshoe – or oversubscription – procedure.

Analysts said BHW represented a solid investment in an expanding sector, with the group's earnings banefiting from the effect of future interest rate rises on its liquidity reserves. They noted, however, that earlier estimates had put the top end of the bookbuilding price range at about DM30. The fact that it had been pitched below this showed a more realistic assessment of the shares' likely reception.

BHW will use some of the funds to help finance a planned 10 per cent stake in Postbank, due to be privatised. The deal, which could cost it DM600m, would give BHW access to Postbank's sales distribution network. BHW also wants to expand its sales network, build its life assurance interests and raise its 40 per cent stake in Allgemeine Hypothekenbank, a mortgage bank, to 50 per cent.

In the unofficial grey market ahead of the price fixing – to be announced on April 28 – BHW shares were quoted at just above DM28. If all 54m shares are issued, the offer will be worth up to DM1.5bn, of which BHW would receive half. The other half of the proceeds will go to existing shareholders who are selling stock.

Dresdner's investment banking operation, Dresdner Kleinwort Benson, is joint global co-ordinator with Deutsche Morgan Grenfell and Credit Suisse First Boston. After the issue, the 49 per cent holdings in BHW of BGAG (the trade union holding company) and BTA (the public sector employees' holding company) will fall to 35 per cent each.

CONTENTS

Austrian petition urges genetic food ban

By Eric Frey in Vienna

The Austrian government is under fierce pressure to stiffen its opposition to European Union guidelines on genetically modified food products after a national petition attracted 1.3m signatures, or 20 per cent of the eligible voters.

The petition – which was begun by two environmental organisations – calls for a total ban on genetically modified agricultural products and experiments with genetically modified planta outside the laboratory, and a prohibition for patents on genetically modified animals or plans.

It only has to be debated by parliament and need not be turned into law but the exceptional turnout, one of the highest ever for a petition drive, is certain to increase the pressure on the government to toughen its regulations.

The petition campaign received strong support from several political parties and the "Kronen-Zeitung", the largest tabloid paper. And Chancellor Viktor Klima said at a Social Democrat party congress last week that his government would take the demands of the petition very seriously. This could put Austria in conflict with the European Commission, which wants to liberalise the production and sale of genetically modified food products.

To accommodate the public mood, Austria has already pushed for stricter regulations in the EU institutions.

In February, the government imposed a unilateral ban on a genetically modified corn by Novartis, the first agricultural product registered in the EU. Officials in Brussels say the ban must be lifted after three months unless Austria can present convincing evidence that the Novartis corn is a health hazard.

Environmental issues are extremely popular in Austria, which banned atomic energy in the late 1970s and has been in the forefront of environmental regulation in Europe. No other EU country has such a high market share for organic food products, and surveys show around 80 per cent opposition to any kind of genetically modified goods.

Last month, two retail chains went so far as to publicly destroy Toblerone chocolate bars when it became known that Swiss producer Jacobs-Suchard had used an ingredient that included some genetically modified soy substance.

The petition could drive a wedge in the uneasy governing coalition between the Social Democratic and the conservative People's party. The People's party rejects the demands because industry representatives and scientists warn that Austria will become less attractive as a business and science location and miss out in one of the main growth industries. However, the Social Democrats are increasingly tilting towards the petition camp amid pressure from their members.

Russia forced to rethink budget

By Arkady Ostrovsky in London

The Russian government will have to cut spending by at least 25 per cent in order to keep the budget deficit under control, Russian officials said yesterday.

Mr Alexei Kudrin, Russia's first deputy finance minister, described the budget as "totally unrealistic" and said a revised budget would have to be presented to parliament this week.

Speaking at the EBRD annual conference, he said: "We must teach the public sector to live within its means. The time of limitless subsidies is over."

The government must present a new budget for 1997 because of the catastrophically low tax collection in the first quarter of this year which has made it impossible to fulfil the budget ratified by parliament.

Mr Kudrin said the minimum programme would include cuts in such non-essential areas as investment, science, housing and construction. But he said the government might go even further and encroach on spending areas protected by presidential decree. This would affect such areas as defence and agriculture. Mr Kudrin said he also wanted job cuts in the state sector.

The government plan is likely to cause serious rifts with the communist-led parliament. But Mr Kudrin said that even if the parliament failed to approve a new budget, the government would order its ministers to play by the rules of the new budget. "Anyone who steps out of budget line will be fired," Mr Kudrin warned.

Mr Kudrin said that any attempt to impeach the government was doomed, because the liberal Yabloko party, which holds the balance of power in the parliament, would co-operate with the government.

Mr Kudrin said he hoped the new budget would please the IMF. But any move to implement it regardless of the wishes of parliament is also likely to raise concern among international institutions and foreign investors who believe Russia must move to a legal system where the budget is regulated by parliament and not by the ad hoc plans described by Mr Kudrin.

● Official figures yesterday showed a 0.2 per cent rise in GDP in the first quarter, raising hopes that the Russian economy could be coming out of a decade-long depression, writes Chrystia Freeland in Moscow. However, independent economists were sceptical about the data, following allegations last month that state statisticians had changed their method of calculating GDP to create the appearance of growth.

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Problems with legal system, taxes, crime and corruption deter foreign funds

Investors give E Europe a miss

By Kevin Done, East Europe Correspondent

Central and eastern Europe is failing to attract high levels of foreign direct investment because of uncertainty and gaps in the legal framework, deficient taxation systems, and corruption and crime.

Mr Jacques de Larosière, president of the European Bank for Reconstruction and Development, said the region had not yet attracted an inflow of foreign direct investment comparable to that seen in other parts of the world.

Singapore, with a population of 3m last year received about half as much foreign direct investment as the whole of eastern Europe and the former Soviet Union, he said. The cumulative inflow of foreign direct investment to the region was $42bn from 1989 to 1996, the EBRD says.

In his opening address to the bank's annual meeting Mr de Larosière said that while the process of transition in the region from a command to a market economy was "quite without historical precedent in its scope and speed", there was no room for complacency.

Lack of confidence in the region was still leading to large-scale capital flight in particular from Russia and other parts of the former Soviet Union. "In 1996 alone the outflow of capital from the region probably exceeded the total invested by the EBRD since its creation," said Mr de Larosière.

Deficient taxation systems were imposing excessive constraints on the activities of potential investors.

"Punitive and complex taxes, which are poorly administered and arbitrarily interpreted, discourage economic activity, encourage evasion, and damage or even cripple firms that are struggling to meet their obligations," he said.

Investors needed stable regulations and had to be able to enforce contractual or shareholder rights.

Much still remained to be done in the region in the longer term tasks of institution-building and institutional reform. Corruption, crime and the "arbitrary interference" of some officals in private sector business remained a source of concern and in some cases had "complicated or even compromised" the bank's own operations.

The EBRD president also warned that hard-won progress in transition could be "lost with frightening speed", as had happened in Albania, where the collapse of a series of fraudulent pyramid finance schemes earlier this year plunged the country into anarchy – ending several years of rapid economic growth.

"The economy, the political system and civil society itself have collapsed into financial disaster because the authorities failed to regulate and supervise non-banking institutions," said Mr de Larosière.

The EBRD was working closely with other international financial institutions including the International Monetary Fund and the World Bank to try to restore confidence in Albania. It would resume its operations "as soon as order and legality" were restored.

Mr de Larosière said the EBRD's annual commitments to investments in the region were expected to rise from Ecu2.2bn ($2.5bn) last year to Ecu2.6bn in 2000. In the same period the bank's portfolio of projects would almost double during the next three years to Ecu15bn.

The bank yesterday announced new investments in the region including a $28.5m loan to Russia to assist the restructuring of privatised companies, the establishment of a new investment fund for Uzbekistan with an expected total capital of Ecu36m, and a $45m loan to the Romanian government for the upgrading of district heating companies in five municipalities.

Private sector bias wins friends in US

By Anthony Robinson, East Europe Editor

When the European Bank for Reconstruction and Development (EBRD) was set up in 1991 the US, the largest single shareholder, was sceptical. But Washington has now been converted into an open, albeit strongly conditional, admirer.

"The leadership of this bank has made it a pace-setter among development banks in promoting the private sector," Mr David Lipton, the assistant secretary for international affairs at the US Treasury, told the annual meeting yesterday.

In praising Mr Jacques de Larosière, the bank's president, and Mr Ron Freeman, the first vice-president, Mr Lipton was also indicating what the US will expect from the successors to the two men. Mr Freeman returns to Salomon Brothers in June and Mr de Larosière is not expected to stay much beyond the expiry of his four-year contract in September.

Mr Lipton said the US would judge the EBRD by its ability to maintain the private-sector orientation as it shifted into more complex tasks in the more advanced central European areas of operation and deeper into the Balkans, Russia, Ukraine, the Caucasus and central Asia following a "graduation policy" approved last year.

EU governments control a majority of the shares in the EBRD. While most of the Europeans have taken up their share of the Ecu10bn ($11.4bn) capital increase agreed at last year's AGM in Sofia, Washington has yet to pay up.

But with strong support from the administration, Congress is expected to give its assent in August, according to Mr Lipton.

Meanwhile the US government is preparing to deliver on its promised financial support for the Polish bank privatisation programme. Washington contributed to the billion dollar "zloty stabilisation fund" provided by western governments in 1990 to underpin Poland's stabilisation programme. The programme proved so successful that the money was not needed. But several governments, including the US and UK governments, agreed to transform the facility into a bank privatisation fund to help prepare and finance the sale of banks to the private sector.

Since then Bank Slaski and Wielkopolski Bank Kredytowy – two of the nine state-owned commercial banks hived off from the central bank at the start of banking reform – have been privatised and taken over by foreign owners. Several other banks, including the Pekao Sa group, Bank Handlowy and the Polish credit bank PBK, are being privatised and finding foreign strategic partners.

Until now the US has been reluctant to release any funds. "We wanted to be sure that the government would not use its residual stakes in banks to intervene in bank corporate governance," Mr Lipton explained. "But we are now convinced that the Polish government and Mr Marek Belka, the finance minister, are moving in the right direction, including their plans to transform the Polish Treasury stakes into convertible bonds.

"This means that the US will probably disburse some of the funds as BPH is privatised and again when Bank Handlowy is privatised," he added.

Croatian ruling party scores big poll wins

By Guy Dinmore in Vukovar

Croatia's Social Democrat leader Ivica Racan, left, and party members await the results AP

Croatia's ruling nationalist party scored significant victories over a fragmented opposition in local elections held on Sunday, according to unofficial results yesterday.

But the government came under fire from the United Nations for its failure to ensure smooth elections in the Serb-held region of Eastern Slavonia, which will return to Croatia's full control after the mandate of a 5,000-strong UN force expires there on July 15.

Voting in the UN administered area had to be extended into yesterday after chaos on Sunday when the Croatian government failed to deliver correct voting lists and enough ballot papers.

"The United Nations was disappointed yesterday with the inadequate and incomplete support from the Croatian side in these elections," Mr Philip Arnold, the UN transitional authority spokesman, said in Vukovar in north-east Croatia.

But later, after a second day of voting, Mr Peter Galbraith, US ambassador to Croatia, said 85 per cent of eligible voters in the region had cast their ballots. "I'm quite confident these elections were clean...My judgment is that these elections were fair," he said.

Some 70,000 Croatian refugees were eligible to vote outside the region for councils within eastern Slavonia, while about 75,000 people, mostly Serbs, could vote inside the UN-controlled area on the border with Serbia.

Results in the region are expected later today. If most people vote according to their ethnic background, the Serb coalition may win up to 14 of 30 municipalities.

Control of Vukovar, a once picturesque town on the banks of the Danube but now reduced to rubble from fighting in 1991, hangs in the balance. Results elsewhere in Croatia were encouraging for President Franjo Tudjman who is expected to hold presidential elections in June or July.

His Croatian Democratic Union (HDZ) won 24 of 50 seats in Zagreb, just ahead of a coalition of former communists - the Social Democrats - and the Social Liberals who took a combined 23 seats. The centrist Peasant Party took the remaining three seats and could form a coalition with the HDZ.

Zagreb makes up a third of Croatia's 4.7m population and has about half its industry. Mr Tudjman, a former general who renounced communism and led Croatia to independence from Socialist Yugoslavia in 1991, lost the capital to an opposition coalition in 1995, but vetoed four of its candidates for mayor on grounds of national security.

The HDZ scored comfortable victories in almost all of 21 county assemblies but lost the Adriatic peninsula of Istria and the port city of Rijeka. The HDZ upset tha incumbent Social Liberals in Osijek, close to Vukovar, and there was deadlock with centre-left parties in the main port of Split.

Prague to unveil $1bn spending cuts

By Vincent Boland in Prague

The Czech government will tomorrow unveil measures to cut public spending and restrain the trade deficit.

The measures include steep spending cuts, curbs on public sector wages, possible quotas on some imports and help for exporters, a crackdown on tax evasion and corruption and a new privatisation drive.

The most severe moves are expected cuts of up to Kč30bn ($1bn) in government spending to eliminate a projected budget deficit, and re-introduction of public sector wage controls to hold pay rises to about 10 per cent. Ministers are to be asked for savings in every department, while investment plans will be shelved or curtailed.

In return for belt-tightening, the government wants the central bank to cut interest rates. Last week the bank cut reserve requirements for commercial banks from 11.5 per cent to 9.5 per cent in a signal that it was willing to ease monetary policy in return for a tightening of fiscal policy.

A crucial aim of the package is to control the swelling trade deficit, already nearly $1bn so far this year. The current account deficit is likely to reach 10 per cent of gross domestic product in 1997 after 8.6 per cent in 1996, and is the main focus of investor concern.

While import surcharges and a devaluation of the koruna have been ruled out, quotas may be introduced on eensitive products such as foodstuffs, and the central bank may allow the currency to weaken perhaps by widening its fluctuation band against the main trading currencies.

Financial markets are watching the proposals for spending cuts and wage curbs closely. These will determine the scope for an interest rate cut and have a crucial bearing on the two factors most responsible for the high deficit – strong domestic demand and tha high koruna.

"If they don't cut Kč30bn from spending the markets will be very disappointed," said Mr Andrew Kenningham, senior economist at Merrill Lynch in London.

However, given the government's precarious position in parliament and the already tight budget, tha scope for fiscal restrictions is limited. The cuts could fall heaviest on education and health, where industrial unrest is simmering, and ministers will not want to provoke a backlash.

While officials have promised a "robust" package, some analysts doubt whether they will be radical enough. Mr Gabor Bognar, Czech Republic economist at Goldman Sachs in New York, said the proposals were "a major rethink of where the economy is going and how it is going to get there". But he said there was an under-appreciation of the magnitude of the problems facing the economy. "I have my doubts as to just how much pain this government has the capacity to impose."

EUROPEAN NEWS DIGEST

German pledge on Holocaust

The German insurance trade association yesterday promised a "swift and unbureaucratic" response to reasonable claims from victims, or their descendants, of the Nazi Holocaust who have yet to receive payments on policies.

The pledge, agreed at an emergency meeting in Düsseldorf, follows legal action this month in New York against seven European insurers. It is also similar to promises made last week by Allianz, Germany's largest insurer, and reflects a determination by the industry's leaders to defend its image whatever the merits of the US case.

The association, which represents property as well as life insurers, stopped short of following Allianz's example in setting up telephone hotlines and appointing independent consultants to sift files. It said such moves were for individual members. But German insurers are expected to re-examine files and the association may appoint independent historians to review the industry's role during the Third Reich. *Ralph Atkins, Bonn*

Hungarian party chief quits

The leader of Hungary's Free Democratic party, junior partner in the government coalition, resigned yesterday. Mr Ivan Peto (left) said only that he had been considering stepping down for several months. Elections are due in a year. However, his resignation as leader in both party and parliament has been linked by some analysts to the so-called Tocsik affair last autumn. This concerned the payment of $5m in fees to a consultant in Hungary's privatisation process, and led to allegations of corruption. Mr Peto offered to resign then after other party members were accused of involvement.

His resignation now, which has been accepted by the party, is not expected to have any serious repercussions on the Free Democrats' partnership with the Socialists. *Anatol Lieven, Budapest*

Kohl tries to revive tax talks

Chancellor Helmut Kohl will today try to reactivate stalled cross-party talks on tax reform when he meets Mr Oskar Lafontaine, head of the opposition Social Democratic party. However, the SPD is setting tough preconditions for continuing negotiations, suspended last month after a row over coal industry subsidies. Mr Lafontaine yesterday demanded the government explain how it intended to finance planned spending cuts and insisted on a package which did not hit the budgets of state or local governments. He also wanted increases in child allowances.

Adding to the government's difficulties, Mr Edmund Stoiber, Bavaria's prime minister and a member of the Christian Social Union, part of the Bonn coalition, suggested a deal was possible which accommodated SPD objections to top rate tax cuts

SPD support is important because it dominates the second chamber of parliament. However, both sides have said they want tax cuts to be introduced next year to stimulate the economy, create jobs and improve German chances of meeting criteria for European monetary union. *Ralph Atkins*

Turkey tightens Islam curbs

Turkey's provincial governors have been ordered to implement anti-Islamist measures demanded in February by the military-dominated national security council. Mrs Meral Akşener, interior minister, summoned the 80 governors to the capital, Ankara, and told them they "should control [local] civil servants tightly and should remove thosa who are determined to support separatism and [religious] radicalism".

The governors, the appointed representatives of central government in the provinces, were also instructed to supervise closure of unauthorised Koran courses, religious brotherhoods and schools. Furthermore, local authorities must report on the activities of religious extremists on their staff and "take action" against them, with particular emphasis on officers purged from the armed forces for Islamist activities but now employed in local government.

Mrs Akşener, a confidante of Mrs Tansu Çiller, deputy prime minister and leader of the centre-right True Path party, said "governors are the guarantors of basic rights and freedoms given to citizens by the constitution and the law. For that reason you should apply the principles of Ataturk, and obey human rights." *John Barham, Ankara*

Yeltsin sacks rail minister

The Kremlin's attack on Russia's mighty natural monopolies gathered steam yesterday, with the reported dismissal of Mr Anatoly Zaitsev as railways minister. The Interfax news agency reported that President Boris Yeltsin had ordered the sacking.

The railways are one of the three natural monopolies that have emerged as a dominant force in the economy. The other two are the natural gas giant Gazprom and the national electricity concern, and reforming them is the top priority of Mr Yeltsin's new cabinet team.

Russian industrialists have long complained that the railway ministry, which is effectively independent of the rest of the government, has taken advantage of its monopoly position to raise prices exorbitantly. Recently, independent government investigators have also accused it of widespread corruption. *Chrystia Freeland, Moscow*

$59m for Turin restoration

The Italian government said yesterday it would provide up to L100bn ($59m) to restore fire damage to Turin cathedral and the Royal Palace.

The fire damaged tha roof of the Guarini chapel, regarded as one of the finest examples of baroque in northern Italy. The government was anxious to head off criticism over failure to protect the country's treasures. The Turin "shroud", revered as bearing the imprint of the dead Christ's body, narrowly escaped destruction.

Last year the famous Fenice opera house in Venice was destroyed by fire while part of the baroque cathedral dome collapsed at Noto in Sicily. The Guarini chapel in Turin was being restored, as was the Fenice; in recent years fires have occurred with disturbing frequency during restoration work. *Robert Graham, Rome*

Finnish steel stake for sale

The Finnish government is estimated to raise more than FM1bn ($195m) from the sale of 19.1m shares in the Rautaruukki steel group. The company itself should receive more than FM500m from its issue of 13m new shares, according to Mr Antti Kalliomaeki, the trada minister.

Ha said the government did not intend at present to reduce its stake to below 40 per cent. When approaching investors, priority would be given to those in the same sectors as existing shareholders, such as insurance companies and investment funds. *AFX, Helsinki*

European bourses may get lift on back of Emu

A new study says the euro could become the most important currency for international investors after the dollar, writes Andrew Fisher in Frankfurt

Preparing for Emu

Ranked against the big financial centres of New York, Loodoo and Tokyo, those of continental Europe are still provincial by comparison. But the advent of the euro – the European Union's planned single currency – could change all that, though not overnight and by no means automatically.

European monetary union, due in 1999, will bring a big increase in liquidity to the financial markets of its members, says Bayerischbe Vereinsbank in a new study. Considerable improvements in the structure of Europe's manifold markets will take place. Moreover, the euro has the opportunity to become the most important currency for international investors after the dollar.

The report's title is clear eoough: "The euro and capital markets – from the provincial to the world league". Through the development of pan-Emu bond and equity trading, it argues that the European investment scene will be widened, strengthened and atimulated by increased competition among markets and issuers.

Even a so-called "hard currency union" – with only Germany, France, Belgium, the Netberlands, Luxembourg, Austria, Ireland and Finland – would produce the world's second biggest bond market and the third largest stock market.

At present, there are 32 stock markets in the European Union. The German bourse, biggest on the European mainland, has a market capitalisation only 8 per cent that of the US. Germany's bond market, Europe's largest, is only a quarter the US's volume.

Separate markets would still exist after Emu. But with sbares, bonds and derivatives denominated in a single currency, investors would be able to take a wider European rather than a natiooal view.

"The euro will reduce market fragmentation and encourage a shift from state to more private use of the capital market," writes Mr Alexander Schrader, tbe Vereinsbank ecooomist who drew up the report. Privatisations totalling an estimated $300bn in the next few years across Europe will add to the range of equities as governments continue to bring down budget deficits and debt.

Shares of smaller companies, now overshadowed on European bourses by the big concerns, should also receive a lift, though this will take time. Initially, the blue chips will benefit from international investors' attention. Big funds and institutions will be able to invest across markets in one currency and make easier comparisons between stocks in any sector.

But as the big euro-denominated stocks become mare expensive through this process, investors are likely to move more into smaller and medium-sized issues. Increased liquidity and market transparency should also lower the costs of coming to tbe market, encouraging more companies to go public. Investor interest, meanwhile, will also be stimulated by concern about pensions and people's awareness of the need to invest more for their future.

Mr Schrader believes the euro will break open existing capital market structures, creating new opportunities. Echoing Joseph Schumpeter, the Austrian economist who wrote about the unsettling but positive impact of innovation, he foresees a phase of "creative destruction" as the single currency changes the basis on which national markets operate.

"This will not happen at the press of a button on New Year's Eve of 1998." The new market structures will take time to develop. Nor is it clear which countries will benefit most. While Germany will be the biggest Emu economy, its securities markets are not predestined to dominate trading in euro products. In some areas, Paris is ahead of Frankfurt.

This is especially the case in the bond market, where Mr Schrader says France enjoys a "product advantage". Freocb government bonds cover the wbole maturity spectrum from less than a year to more than 20 years.

In Germany – which would account for about 37 per cent of a "hard currency" Emu government bond market against France's 34 per ceot – liquidity is concentrated in maturities of between one and five and 5-10 years. At the very short and long ends of tbe market, volumes are small.

The Vereinsbank study praises tbe Freocb bood market's "modern and competitive issuing procedure and debt management", with loan volumes regularly topped up with new tranches to maintain liquidity. But while the Freoch model has much to offer future euro capital markets, it has oo cultural or structural advantages tbat cannot be matcbed – unlike Londoo.

Germany could thus catch up. The German government and the Bundesbank have taken steps to improve the domestic bood market through the issue of short-term paper and the resumptioo of 30-year loans. Other cbanges are under way, but Vereinsbank criticises the Bonn finance ministry's slowness in deciding wbether to quote outstanding loans in euros once Emu starts. France, Belgium and the Netherlands have said they will do this.

Once Emu starts, there will be competition among bood issuers to establish benchmark products for the euro market.

Thus adds Vereinsbank: "An early decision to quote outstaoding government debt in euros from 1999 would be an advantage for the [German] governmeot in competition for the beochmark position". This would avoid a "psychological splitting of the market" between boods denominated in euros and D-Marks.

But Mr Schrader says all governments must do more if the oew euro-based markets are to flourish. Company law, accountancy rules and stock exchange regulations oeed to be harmonised.

Wistfully, be adds that it would be a great belp to a unified European stock market if the UK was among the first Emu members. In that, however, be may be disappointed.

Emu: Likely impact on European capital markets

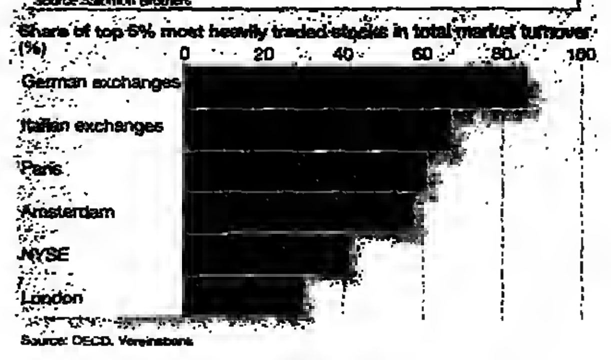
- **Bonds: Deeper and broader market structure, with more varied range of products and maturities. More scope for corporate bonds. Institutional investors will develop European rather than national portfolios.**
- **Equities: New impulses for equity culture through less market fragmentation. Investors will look more to sectors than countries. More issues by smaller and medium-sized companies. More privatisations as countries tackle budget deficits.**
- **Derivatives: Fewer exchanges and intensified competition between UK, Germany and France. Euro will reduce need for interest rate futures. Race to establish first euro-based contracts.**

Markets snapshot

World bond market	Nominal value of bonds ($bn)	Of which government bonds
US dollars	8,837	4,953
Yen	3,807	2,213
D-Marks	2,283	794
EU (excl. D-Marks)	4,651	3,033
Other	905	340
Total	20,483	11,333

Source: Salomon Brothers

Share of top 5% most heavily traded stocks in total market turnover (%)



Source: OECD, Vereinsbank

Emu Calculator*

EMU: who will be there in 1999 (2002)

*J P Morgan calculator	Yesterday %	1 month ago %	6 months ago %
Germany, France, Belgium	100	100	100
Italy	58 (67)	48 (59)	52 (64)
Spain	75 (78)	57 (63)	54 (54)
Portugal	79 (84)	63 (74)	56 (61)
Sweden	64 (68)	60 (67)	65 (67)
Denmark	50 (50)	54 (54)	43 (48)
UK	41 (53)	40 (50)	49 (57)
Finland	77 (77)	86 (88)	80 (80)
Ireland	80 (80)	63 (63)	61 (64)

Austria & Greece: Bond markets not liquid enough to provide data.

The Emu calculator provides a snapshot of the probability the financial markets place on countries joining the proposed single European currency. Currency strategists from investment bank J.P. Morgan calculate the probabilities from the interest rate swaps market, in which investors swap floating rate interest payments for an investment for fixed-rate ones. They compare the post 1995 or 2002 swap spread to Germany with the spread they expect to see if EMU expectations were to fall to zero. The markets assume that if Emu happens, Germany will be part of it, so Germany always has a probability equal to the highest value of any other country.

Swap rates in the Netherlands have historically traded at par with Germany, hence it is not possible to observe Emu expectation from the Dutch market.

Bond prices in Spain and Italy up again

By Richard Lapper, *Capital Markets Editor*

Italian and Spanish bond prices soared yesterday, underlining new-found confidence in the financial markets that Enropean monetary union will occur on schedule in 1999.

Fears of delay bad caused government bonds issued by Italy, Spain and Sweden to lag behind the so-called "core" markets of Germany and the Netberlands for mnch of the year. Bnt several factors, among them Mr Helmut Kohl's decision this month to run again as German chancellor and continning improvement in the inflation ontlook in Spain and Italy, have cansed a shift in sentiment.

"There has been a clear rebound in market optimism regarding Emn," said Mr Avinash Persaud, head of currency research at J P Morgan.

Over the past week Spain has made most progress, with thc yield spread on its 10-year government bonds falling to less than one percentage point over Germany. By yesterday evening they offered investors a yield of 6.86 per cent compared with 5.94 per cent available frnm German bonds and 7.64 per cent offered by UK government bonds, or gilts.

Italy and Sweden have also done well. Yesterday the 10-year yield spread of Italian bonds over Germany fell to 169 basis points (or hundredths of a percentage point). Swedish yield spreads over Germany have also fallen sharply in the last few weeks, dropping from 150 basis points just over a month ago to 115 by yesterday evening.

Mr Keith Edmonds, chief analyst at IBJ International in London, says falling inflation is improving prospects for further cuts in sbort-term interest rates, wbich are still markedly bigher than those in the so-called core European markets. Spanisb prices are increasing at an annnal rate of only 2.1 per cent, according to last Friday's figures, while the figure in Italy – due next week – is expected to fall to below 2 per cent.

However, market analysts say this mood of greater optimiam abont Emn may not last long. This is mainly because a further rise in US short-term interest rates is expected following last month's quarter point rise. Historically, rising US rates bave been bad for US and core-European bond markets, and particularly damaging for peripheral European markets.

Mr Mark Fox, chief European strategist at US investment bank Lehman Brothers, says many investors are simply confused by current trends and as a result have not been active in the market. "We bave seen a huge amount of price action on relatively little bnying," be says. "No one is quite sure how long [the convergence trades] will last because the underlying tides nre pulling in different directions."

House Speaker warns Reno over campaign funds probe

Gingrich back on warpath

By Bruce Clark in Washington

Mr Newt Gingrich, the Speaker of the US House of Representatives, still struggling to save his political skin, is doing battle with all his old single-mindedness and flair.

That is the verdict of Washington observers after a month in which the 53-year-old Speaker has bounced back from his own ethical problems and regained a little of the moral fervour that marked the Republican "revolution" which he proclaimed in 1994.

In his latest outbursts, the irrepressible Georgia legislator has called for the dismissal of a school principal who tolerated sexual games in the classroom, and demanded retaliation against Iran if found complicit in a bomb attack on US soldiers in Saudi Arabia.

He has courted, and apparently impressed, the right-wing of his party by calling for an end to capital gains tax and inheritance tax – and used a trip to China to issue a stern pronouncement that the US would defend Taiwan if it were attacked.

The common thread in all this, he insists, is morality. On easing the tax burden, for example, he says "there's a moral imperative to lower taxes so people have more money in their pocket, so they can be better parents and have more freedom".

Such language is music to the ears of the traditional right. While moderates may be unhappy about the new Gingrich, he can count on the fact that most of the obvious candidates to replace him are even less palatable to Republican liberals. Mr Gingrich was widely dismissed as a "diminished" figure, if not a spent force, in January when fellow law-makers reprimanded him and ordered him to pay $300,000 for violating House rules. He was found to have brought discredit on the House by misleading it about a politically oriented college course which he taught, using finance from tax-exempt charitable funds.

The rebuke and fine, which has yet to be paid, seemed for a time to have spiked his ability to gain political advantage from the clouds gathering over the White House: a deepening controversy over campaign finance and the ongoing judicial travails of the Clinton family's former associates in Arkansas.

But Mr Gingrich no longer appears to be pulling any punches. He has warned Ms Janet Reno, the attorney general, that Republicans will call her to account if she proves less than zealous in probing improper donations to the Democratic party from Asian sources.

It is already clear, he maintains, she was slow to pass on to the White House news that the FBI was looking into illegal contributions, aimed at influencing US policy, from China.

The Speaker's return to the warpath – and the political right – will start affecting US diplomacy if he opposes the granting of "most favoured nation" status for China when it comes up for renewal in June. He has yet to clarify his stance on the issue.

Domestically, the effect of Mr Gingrich's re-emergence as a staunch conservative could be felt much sooner; it has clouded the outlook for the negotiations on balancing the budget, which are facing a make-or-break week.

Murder that would not go away

Issues of corruption and impunity have moved up Argentina's political agenda

The killers of José Luis Cabezas did their job thoroughly. The news photographer, found dead earlier this year in the exclusive Argentinian resort of Pinamar, had been handcuffed, beaten, and shot in the head and stomach. His car was rolled into a pit, doused in fuel, and burned, with the body inside.

The crime was especially shocking for Argentina because of its strong echoes of the "Dirty War", the violent campaign against its political opponents by the 1976-83 military government in which thousands died.

Those echoes grew stronger when the investigation began to focus on the Buenos Aires provincial police, intensifying public concern over the reliability of the country's institutions. Last week seven people were arrested in connection with the murder, including two former and one serving police officer. Five other suspects had already been detained.

Cabezas worked for the news weekly Noticias. His former colleagues have led a campaign which has put pressure on the authorities to pursue the investigation vigorously. The public outcry has kept the issue at the forefront of politics in a mid-term election year which will set the scene for the presidential race in 1999.

Rallies have been held to keep the photographer's memory alive, while posters of him have appeared everywhere in Buenos Aires from street corners to the offices of the economy ministry. They bear the slogan: "Do not forget Cabezas".

Mr Eduardo Duhalde, governor of Buenos Aires province and a leading contender for the ruling Peronist party's presidential candidate in 1999, has taken a high profile in the case. In a blaze of publicity, he met the investigating judge to hand over fresh evidence shortly before last week's arrests.

News photographers raise their cameras as they march in Buenos Aires to remember the murdered José Luis Cabezas AP

A successful conclusion to the investigation would undoubtedly help Mr Duhalde's hopes of succeeding President Carlos Menem. The police force in his province is widely perceived as running out of control.

"I have taught my children to be afraid of the police," one middle-class resident said. "If they see a policeman coming, they know they should walk the other way."

The problems are acute in the coastal strip south of the capital, which includes resorts such as Pinamar. Last August Noticias claimed that officers and criminals there had joined forces to oversee robberies, the drugs trade and prostitution. Cabezas took the pictures for the report.

Mr Duhalde, under pressure from public opinion, vowed to clean up the 48,000-strong force and began purging its ranks. His actions have aroused strong opposition from within the police, and may prove hard to pursue ahead of October's polls, in which half the seats in the lower house of Congress will be decided.

At the time of his death, Cabezas was covering the summer season in Pinamar, a favourite haunt of the country's ruling elite. Investigators are focusing on the theory that it was his continuing role in examining joint police-criminal operations that led to his death.

The case has sparked much theorising in the country's press. Some reports saw the killing as a warning to Mr Duhalde to go easy on police corruption, others as an attempt to intimidate investigative reporters. Reports have suggested involvement of important business interests in the killing.

"Cabezas was killed in a very theatrical way," said Mr Luis Moreno Ocampo, a lawyer specialising in corruption cases. "A message from the mafia could be one interpretation."

Argentina has more than its fair share of unsolved crimes, including the 1992 bombing of the Israeli embassy and the 1994 bombing of a Jewish centre in Buenos Aires. The two attacks left 115 people dead and injured more than 300.

Investigations into these and other high-profile cases generate endless headlines, but underlying progress is rare, provoking widespread criticism of police and judiciary. The problems illustrate a wider institutional crisis, commentators say.

"In Argentina the executive rules by decree in areas where Congress should be acting, while Congress and mass media investigate issues that should be the preserve of the judiciary," said Mr Rosendo Fraga, a political analyst. "Our police and judiciary are weak," said Mr Moreno Ocampo. "Many judges have accusations against them."

Caution is widespread over whether the Cabezas case will be swiftly resolved; even more doubt that popular pressure will lead to speedy reform of Argentina's institutions. "The Cabezas case is positive because it creates debate on our institutional problems. But this case alone will not change anything," said Mr Fraga.

Last week the lower house of Congress, after weeks of political manoeuvring, approved a special "anti-mafia" committee to investigate fraud and tax evasion, along with corruption in airport and postal services.

The formation of the committee, and the continuing outcry over Cabezas's death, indicate corruption and impunity have moved near the top of the political agenda. But serious attempts at institutional reform would not take place until the next presidency, at the earliest, Mr Moreno Ocampo said.

Ken Warn

Battle looms over power bills

By Bruce Clark in Washington

Old and new players in the US power generation business are gearing up for a furious lobbying war as Congress considers three separate bills aimed at guiding the deregulation of the electricity sector.

In the latest move, a senior Republican legislator has challenged long-established private utilities by reintroducing a bill which would sharply accelerate the freeing up of the $200bn-a-year market.

The text submitted by Mr Tom DeLay, the House majority whip, is more radical – and more threatening to the older power producers – than either of the two proposals already under consideration.

"Bringing electricity into the competitive world will unleash new products, greater efficiencies, business synergies and entrepreneurial success stories," said Mr DeLay as he introduced the bill to guarantee users a free choice of power provider by January 1999.

This would force the 50 states to speed up deregulation moves, which are proceeding at widely varying speeds. In California, where the process is moving fastest, a free-market system is to be phased in between 1998 and 2001.

The DeLay bill's most controversial feature is the fact that it would deny utilities the right to pass on to customers their "stranded costs" – a backlog of uneconomic investments, especially in nuclear power, that were guided by government policy and would not have been made in free-market conditions. Commonwealth Edison, which claims about 3 per cent of the US market, said this would be a breach of faith with stockholders who had invested in the sector in the expectation that regulation would continue.

However, the DeLay bill's approach is strongly supported by new players in the sector, particularly the gas utilities in the south and west which have only recently become involved with electricity.

A rival bill by Senator Dale Bumpers, an Arkansas Democrat, would mandate free competition by January 2003 and allow state governments some leeway in handling stranded costs. But he has alarmed utilities by insisting they sell off uneconomic investments before the extent of stranded costs is determined. A third proposal, by Mr Dan Schaefer, mandates a free market by 2000 – but provides for continued regulation of the prices charged by utilities which want to remain in both the distribution and generation sectors.

AMERICAN NEWS DIGEST

Clinton unveils sweatshop code

President Clinton yesterday unveiled a new apparel industry code of conduct aimed at improving working conditions in sweatshops, where children and adults work long hours producing clothing for only pennies an hour.

It was time to end "deplorable" working conditions in the US and abroad, he declared. "Just as important as the fabric that apparel workers make for us is the fabric of their lives, which is part of the fabric of our lives."

The code, which has drawn early criticism from some human rights groups, was devised by a presidential task force of human rights groups, labour unions, religious leaders and some of the nation's largest clothing manufacturers. To be a success, Mr Clinton said, the agreement must be embraced throughout the apparel industry.

Highlights of the code include a guaranteed minimum wage pegged to existing standards in individual nations, a maximum 60-hour work week with at least one day off, and an independent monitor of conditions in overseas factories used by US companies. The new code would allow participating companies to use a "no sweatshops" label on their garments. *AP, Washington*

Venezuela border tension

Venezuela has militarised a stretch of more than 500km along its western border, in an attempt to halt repeated incursions by Colombian guerrilla forces, which have increasingly strained relations between the two South American countries.

The guerrillas have been crossing the poorly guarded, and in parts sparsely populated, 2,200km border into Venezuela for years. Military posts have been ransacked and soldiers killed for weapons, ammunition, and equipment, while businessmen have been kidnapped across the border, leaving Venezuelan authorities to look on helplessly.

With the number of victims increasing significantly in recent months, the government has come under pressure to act. It has now deployed some 5,000 troops as well as equipment along its western border, and plans to invest Bs200bn ($420m) to beef up security.

A state of alert, which suspends the right to free assembly and travel, was declared last week in the border areas of the western provinces of Tachira, Zulia and Mérida.

Mr Pompeyo Marquez, Venezuela's minister for border relations, lashed out at the Colombian government, saying that "the government and the armed forces cannot escape their responsibility" for attacks carried out from Colombian territory. The Colombian ambassador said the issue was being used by Venezuelan politicians for electoral purposes. Presidential elections are scheduled for 1998. *Raymond Colitt, Caracas*

No Medicare fix in sight

Mr Pete Domenici, Republican chairman of the Senate budget committee, said yesterday that the White House and congressional Republicans were still $10bn-$30bn apart on Medicare cuts. The reduced spending on the health care aid for the elderly is one of the thorniest issues in negotiations aimed at reaching a balanced budget by 2002.

Mr Domenici said that Mr Clinton was moving slightly in "our direction" but not enough. Last week, the American president proposed further cuts in Medicare which some Republicans saw as a sign that he was ready to negotiate in earnest. Budget talks were due to resume yesterday. *AFP, Washington*

Cuba wins fresh trade boost

South Africa, ignoring US objections, is moving to strengthen its trade and investment links with Cuba, and South African companies are pursuing business deals on the island in transport, nickel mining and the sugar industry.

"Our government is very keen to forge a relationship with Cuba," Mr Alec Erwin, South Africa's Trade and Industry Minister, said after arriving in Havana on Sunday at the head of the first official trade and investment mission from South Africa to communist-ruled Cuba.

Mr Erwin said the African National Congress (ANC) government felt it owed a "tremendous amount" to Cuba, which had firmly backed the ANC's struggle to achieve black majority rule in South Africa. He brought with him a renewed invitation from South African President Nelson Mandela for Cuba's President, Mr Fidel Castro, to visit South Africa.

Since taking power in 1994, Mr Mandela's administration has expanded its relations with Cuba, despite increasing criticism from Washington, which continues to maintain an economic embargo against the island. *Pascal Fletcher, Havana*

INTERVIEW: Paul Martin, finance minister

Canadian political star in the ascendant

Three years after reluctantly accepting the job of Canadian finance minister, Mr Paul Martin has emerged as the most powerful and popular minister in the Liberal cabinet. His record is likely to be the centre-piece of the Liberal party's platform for the general election, expected to be called within the next few weeks for early June.

"I can't think of anything I'd rather do than this job", he says in an interview. Nonetheless, Mr Martin, aged 58 and fully bilingual, is the frontrunner to succeed Mr Jean Chrétien should the prime minister decide to step down within the next few years, as many political observers predict he will.

Mr Martin owes his stature to his unrelenting assault on Ottawa's budget deficit, accomplished with a combination of bullying and charm that would do any salesman proud. Canada's public finances were a cause for concern in capital markets when Mr Martin took office. The previous Conservative government failed to brake public spending, despite innumerable promises.

The deficit topped C$42bn (US$30bn), or 6 per cent of gross domestic product, in 1993/94, and 35 cents of every dollar in revenues was earmarked for debt service. Canada lost its triple-A credit rating. Now, according to Mr Martin, "if you're the Canadian finance minister, you've got to wake up every morning and say 'thank heaven'".

A combination of rising tax revenues and a squeeze on spending and sharply lower interest costs has seen the budget shortfall tumble to less than C$19bn, or 2.4 per cent of GDP, in the year ended March 31. Mr Martin's official target is to bring the deficit down to 1 per cent of GDP in 1998/99. Some economists predict Ottawa's books may be in balance by 1999, for the first time since the early 1970s.

The targets for the next two years include a C$3bn contingency reserve, and the finance ministry's assumptions on growth, inflation and interest rates are more conservative than most private-sector economists.

Canadians have begun to reap the rewards of fiscal discipline. The one-year mortgage rate is 5.55 per cent, helping trigger a recent surge in the housing market.

Interest rates, traditionally higher than the US, are now significantly lower for maturities of up to 10 years. Canadian banks charge a prime lending rate of 4.75 per cent.

The Bank of Canada has so far resisted following the Federal Reserve's discount rate increase, triggering a slide in the Canadian dollar to about 71.50 US cents, its lowest level in several years.

Mr Martin has also proved adept at keeping public opinion on his side, in spite of a famous temper. His constant message is that deficit reduction is not an end in itself, but a means to attract investment and create jobs.

The minister's office has evolved into a vaunted public relations machine. One device that has appeared during Mr Martin's watch is a "perception analyser," an electronic gadget handed out to French and English-speaking focus groups during budget speeches. The groups constantly register their likes and dislikes on a dial as the minister speaks, allowing him to fine-tune his pitch for post-budget interviews and speeches.

With the budget deficit firmly set on a downward path, Mr Martin says his priority is to bring Ottawa's still-towering debt down to more manageable levels.

The debt-to-GDP ratio will climb to 74.4 per cent in the current fiscal year. Debt service charges make up 29 per cent of this year's spending estimates.

The debt burden is expected to lighten in the coming year, dipping to 71.2 per cent by 1998/99. Mr Martin says his goal is "certainly south of 60 [per cent]," the yardstick set for European Union members qualifying for monetary union. But he promises to wield the axe more gently in future. "You can cut your way to deficit elimination," he says. "You can't cut your way to improving the debt-to-GDP ratio."

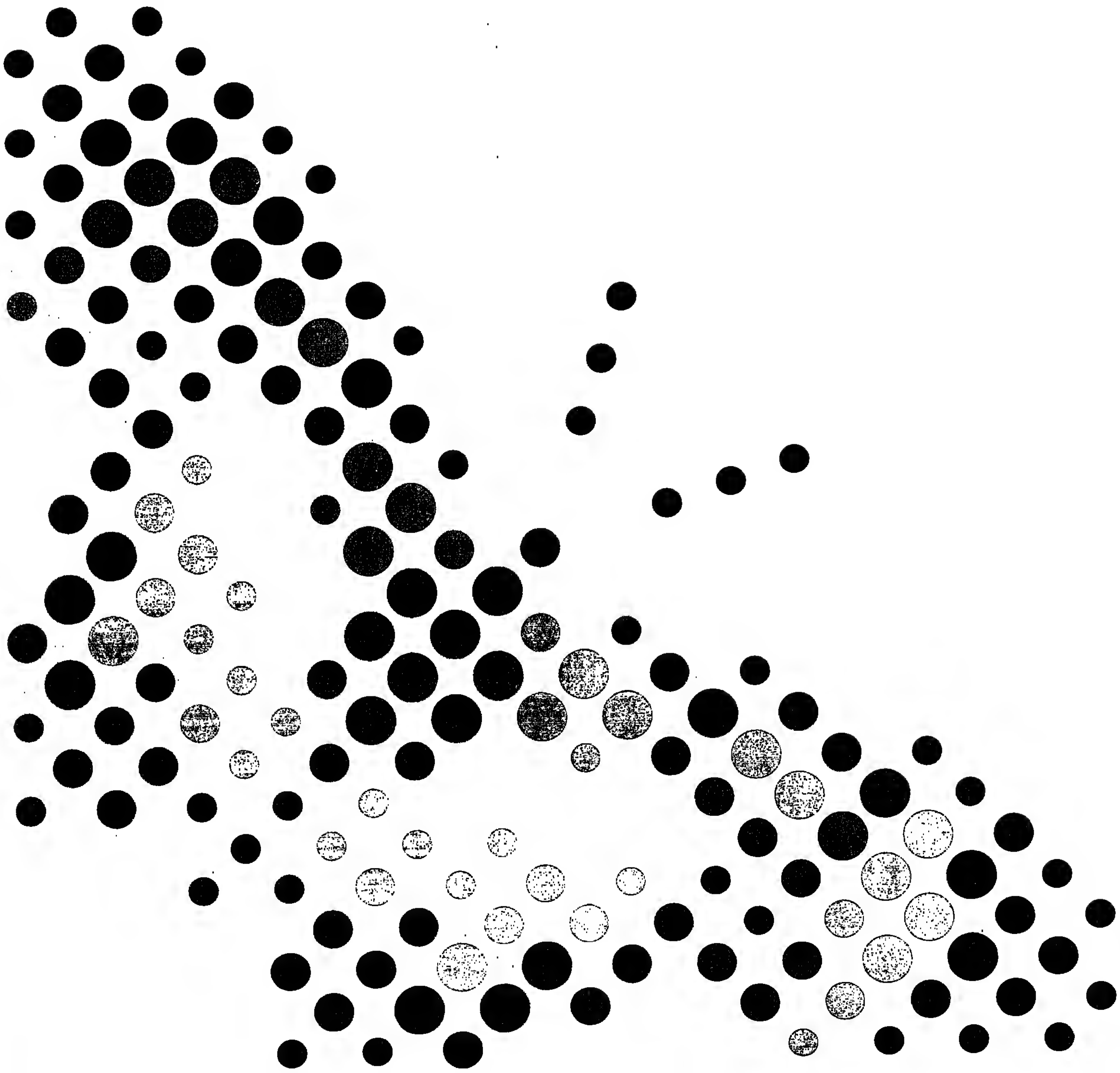
Instead, the emphasis is shifting to other ways of improving Canada's international competitiveness. According to Mr Martin, "in a world without borders, he who has the most flexibility is going to win, and he who has the most rigidity is going to lose."

He says priorities for the future include education, trade policy, and research and development. He is impatient to lower regulatory barriers and to simplify the tax system. "The role of the elected side of government has got to be to constantly wage war against increasing regulation."

With a general election in the offing, the Liberals are trying to steer clear of controversy. Although they are almost certain to win a second mandate, Mr Chrétien and Mr Martin's precise intentions may not become clear until the votes are safely in.

Bernard Simon

Paul Martin: Chrétien successor?



Tokyo plans securities crackdown

By Gwen Robinson in Tokyo

Japan's Finance Ministry is planning to introduce tough new penalties for illegal trading activities by securities houses, and broaden their application beyond the securities and exchange law.

Analysts said the Finance Ministry was sending a clear signal it intended to clean up the securities industry and crack down on wrongdoers, in preparation for the government's ambitious "big bang" financial reforms.

Details of the penalties have not yet been decided, but could include heavy fines as well as extended periods of suspension, at preaent limited to six months, ministry officials say. The broadening of their applications may also see greater use of existing penalties, such as withdrawal of broking licences.

The ministry's move comes amid the rapidly widening scandal over alleged illegal trading activities by the top four Japanese brokers, triggered last month when authorities launched an Investigation into Nomura Securities.

Nomura's president resigned late in March after admitting that the broker ensured stock-trading profits for a real-estate company linked to *sokaiya*, or corporate racketeers.

It emerged at the weekend that all "big four" Japanese brokers may have bad improper dealings with the gangster-linked company, Kojin Building.

Tbe Securities and Exchange Surveillance Commission (SESC), which launcbed the investigation into Nomura, raided the beadquarters of Daiwa Securities, Nikko Securities and Yamaichi Securities late last week.

They seized documents that SESC officials believe contain evidence of dealings between the three brokers and Kojin Building.

The company is run by a relative of Mr Ryuichi Koike, whom authorities bave named as a *sokaiya* racketeer. SESC officials say Nomura Securities funnelled about Y38m ($301,000) to Mr Koike through Kojin Building in Marcb last year, to ensure smooth proceedings at Nomura's annual shareholders' meeting.

They also suspect Mr Koike received similar favours from the other three securities houses, and used all big four brokers to engage in stock trading.

For some weeks, rumours that the three other brokers may be investigated have driven down their share prices on the Tokyo stock market. Nomura'a share price slid a further Y60 yesterday to a record low of Y1,130.

The question of punishment will present the government with a dilemma, in light of its financial reform programme and the certainty of growing foreign competition in Japan'a markets.

Analysts believe the big four brokers are among the handful of Japanese institutions capable of competing with sophisticated foreign competition.

In the longer term, Nomura'a woes may have a beneficial effect on the financial industry, said Mr James Fiorillo, financial analyst at ING Barings in Tokyo.

"The widening investigation into tbe securities industry shows Japan's financial authorities mean business, which may boost investors' confidence in the government's deregulation attempts," he said.

Civil rights provoke unexpected HK ire

John Ridding reports on strong reactions to the future chief executive's plans to increase police powers

A few days after publishing proposals on new civil liberties laws last week, Hong Kong's government-in-waiting was forced to order an additional print run of 10,000 explanatory documents. A radio phone-in show was extended by 30 minutes to accommodate callers' concerns.

The strong reaction has given the lie to those who argue that Hong Kong people have little interest in politics. It has also presented Mr Tung Chee-hwa, the territory's post-colonial leader, with his first serious test ahead of Hong Kong's return to Chinese sovereignty on July 1.

Mr Tung's controversial plans to strengthen police power over demonstrations and toughen regulations governing political parties have pusbed his standing in opinion polls to their lowest since his selection for the post at tha end of last year.

They promise to complicate handling of other aensitive issues, notably the definition of anti-subversion legislation. Though surveys continue to show a solid level of confidence in the transition, the latest controversy heralds a rocky stretch on the path to handover.

Critics charge that Mr Tung's plans are at best unnecessary and at worst a threat to civil liberties. Mr Chris Patten, governor, condemned a move "to tighten the screw" on civil liberties, while pro-democracy forces decry a "flagrant violation of buman rights".

Ms Christine Lob, an independent legislator, attacks Mr Tung'a claim that stability needs further safeguards: "It is irresponsible for our chief executive to go abont crying wolf, especially while he makes needlessly provocative proposals," she says. The pro-business Liberal party has criticised "worrying grey areas" in the proposals.

Mr Tung believes the issue has been blown out of proportion. He dismisses charges that civil liberties are under threat, pointing to guarantees in the Basic Law – China's constitution for Hong Kong – that international covenants on human rights will be upheld.

He believes the reforms are necessary to avoid a legal vacuum in a critical area, following the decision by China's National People's Congress earlier this year to scrap laws put in place over recent years by the British-backed administration.

Behind this lies a broader concern that Hong Kong must not become a bass for de-stabilising China, and his oft-repeated conviction that economic succaaa requires order and stability.

Mr Tung now finds himself in a *political minefield, with little room* for manoeuvre. He must explain wby changes are necessary, given Hong Kong's docile political culture. He also faces a quandary over the public consultation he has launched.

Given his statements on the subject, significant concessions would be an embarrassing climbdown. Resistance to change in the face of public pressure, however, would undermine the sincerity of the exercise and present Mr Tung as an uncompromising leader.

Pressures for concessions have emerged from a relatively broad spectrum. The Liberal party, which is generally supportive of Mr Tung, says the requirement that demonatrators obtain a "notice of no objection" rather than simply notify police is unnecessary. "We do not see any risk of instability in Hong Kong," says Mr Allen Lee, party leader.

The Democratic party, the largest group in the territory's legislature, says the requirement that parties must secure registration *opens the door to a crackdown.* "By using the national security as grounds for refusing registration, this gives a very broad power," says one legislator. "Under China's definition this can refer to verbal criticism of government policies and leaders."

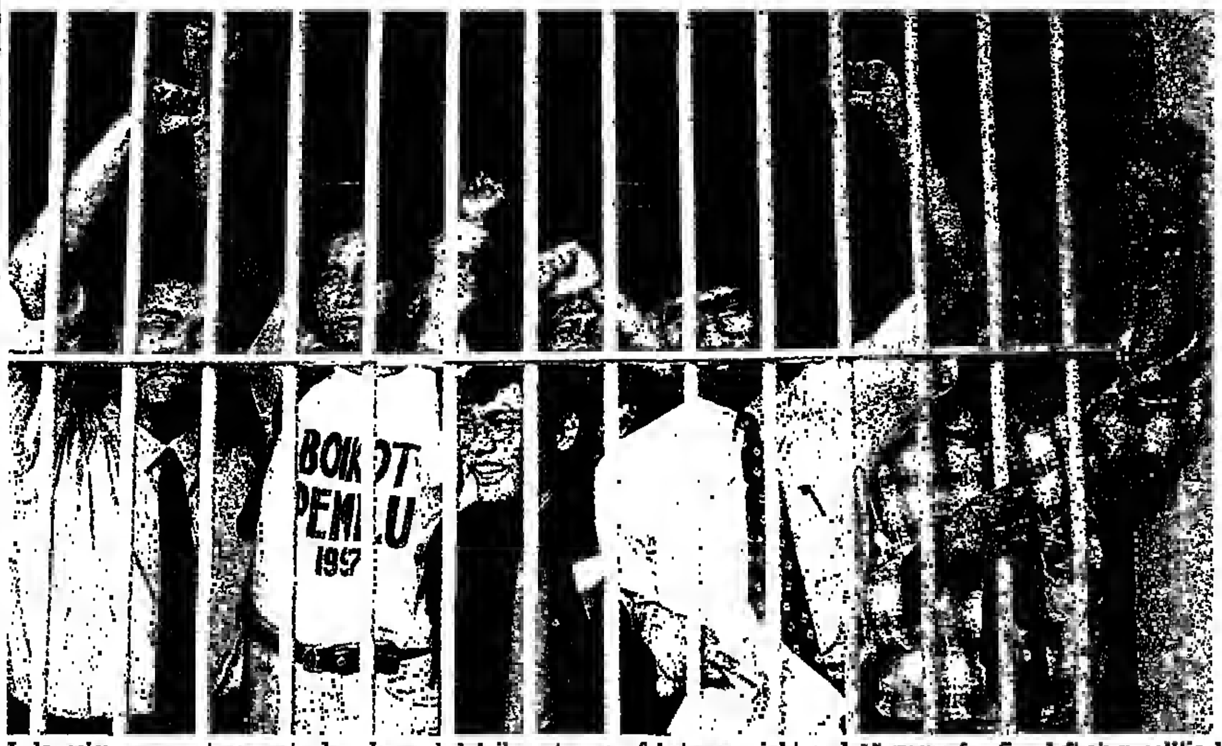
Anxiety has also centred on the proposed ban on political parties having links with foreigners or accepting their donations. With Mr Martin Lee, the *Democratic* party leader, now raising funds during a tour of the US, this raises evident concerns for many in the pro-democracy camp.

In face of criticism, Mr Tung's camp has signalled some flexibility. Mr Michael Suen, secretary for policy co-ordination, said last week that public opinion will be taken into account in the final legislation. He singled out the proposed ban on links between political parties and foreigners as an area where concerns had been evident.

At the same, time, Mr Tung's aides are playing down the scope of the amendments, arguing that many changes are technical and in line with international practice. The police, they say, already have the power to prohibit demonstrations, while overseas funding of political parties is illegal in many western democracies.

"There is no roll-back of civil liberties," says one adviser to Mr Tung. "We are largely reinstating laws which existed until n few years ago under the British administration." Mr Leung Chun-ying, a member of Mr Tung's advisory cabinat, argues that many of the moves in the transition process have prompted charges of dark motives. "But you find that all such fears have not materialised."

That comes as small comfort for critics. "They keep saying, trust us," says one legislator. "But they are not showing much faith in the people of Hong Kong. It is just this sort of unnecessary interference that wears trust thin."



Indonesian prosecutors yesterday demanded jail sentences of between eight and 15 years for five leftwing political activists (pictured above) accused of subversion and spreading hatred against the government. The five defendants had refused to enter the courtroom in protest against their trial. Subversion can be punished by death in Indonesia. *Reuter*

ASIA-PACIFIC NEWS DIGEST

N Korea 'able to hit Japan'

Japan's foreign minister yesterday warned that North Korea might have developed and deployed missiles capable of hitting most of Japan. Mr Yukihiko Ikeda told a parliamentary committee that there were unconfirmed indications that North Korea had deployed some Rodong-1 ballistic missiles in a position that could threaten Japan.

"There are reports that North Korea has developed missiles with a range of more than 1,000km. There are certain reports that some of them have been deployed," he said.

Mr Ikeda said there was currently little hard evidence behind the reports, and Japanese officials denied the remarks reflected any change in the government's position. However the public comments by the Japanese minister on the possible missile threat are unusual. And coming in the wake of recent high-level meetings between Japanese and US officials to discuss defence matters – including the visit of Mr William Coben, US defence secretary, last week – the comment is likely to fuel the debate in Japan about the country's broader security strategy. *Gillian Tett, Tokyo*

China arrests 10 over bombs

Chinese authorities have arrested more than 10 people for allegedly organising a string of bus bomb attacks in the mainly Moslem north-western city of Urumqi, police said yesterday. The attacks in February left nine dead. Police in Urumqi in the autonomous region of Xinjiang were quoted as saying the suspects were members of a previously unheard of pro-independence group, ths National Liberation Front.

All of the suspects arrested were believed to be of the Moslem Uighur ethnic minority. Police have launched a hunt for five suspects still on the run. *Reuter, Beijing*

Cambodian prince to end exile

Cambodia's exiled Prince Norodom Sirivudh, accused of plotting to kill Mr Hun Sen, his co-premier, will return to his homeland today, supporters said yesterday. Prince Sirivudh, half-brother of ruling King Norodom Sihanouk, was exiled in December 1995 after being held for a month on charges alleging his involvement in the plot. Both the king and First Prime Minister Prince Norodom Ranariddh have warned Prince Sirivudh not to return. *Reuter, Paris*

Ramos starts process to 'anoint' successor

By Justin Marozzi in Manila

Mr Fidel Ramos, the Philippine president, yesterday signalled the official start to the "anointment" process for a sncceesor as an opinion poll showed the leading candidate to win the 1998 election was Mr Joseph Estrada, the opposition vice-president.

A 16-strong electoral committee of the ruling Lakas party, which is designed to select the party's flag-bearer, was launched yesterday. It will recommend guidelines on key issues such as party membership reqnirements for administration-backed candidates. This is particularly important in a political system wbere party membership is so fluid.

The "anointment", by which the president confers his blessing on a candidate contesting the election, is considered crucial in the Philippines. Depending on the number of runners in the race, the endorsement may add 10-25 per cent to a candidate'a votes and in practice also provides the full backing of state machinery during the campaign.

President Ramos himself owes his election in 1992 to the endorsement by the then President Corazon Aquino and the blessing is expected to be worth more this time, given his own high personal ratings.

Although President Ramos's term expires at the end of June next year, a *handful of potential* successors are already jostling for his blessing to carry the Lakas mantle against Mr Estrada, a former action movie star.

A populist politician who has said the 1998 elections will represent the voice of the masses against the rich, Mr Estrada is seen by foreign investors and many members of the business community as a threat to the country's economy.

A survey published yesterday showed his support at 24 per cent, compared with Senator Gloria Macapagal-Arroyo on 19 per cent and Mr José de Venecia, the House Speaker, on 18.5 per cent.

Mr Renato de Villa, defence secretary and the man considered most likely to receive the presidential nod, trails in fifth position with 7 per cent.

Political observers said the launching of tha committee was part of President Ramos'a plan to ensure full control of the selection process and indirectly help him avoid choosing Mr de Venecia, Lakas secretary-general and leading presidential aspirant within the party.

"Ramos was burnt in the last elections in that Aquino anointed him but the ruling party didn't," said a western diplomat in Manila. "Ha doesn't want that to happen this time, which means, I suspect, he will write the terms of party membership to allow him to install his apparent favourite, defence secretary de Villa, who is not a member of Lakas."

S Korea puts off bank reform

By John Burton in Seoul

A South Korean panel on financial reform yesterday proposed short-term measures to deregulate the financial industry, but delayed until later this year controversial recommendations for restructuring the troubled banking sector.

The 18-point plan by the presidential commission for financial reform called for freer competition among banks, brokerage houses and insurers. It also proposed measures to increase savings through tax incentives, provide more funds to small businesses, and expand the bond market.

Bnt analysts agreed that the proposals represented only a modest start toward deregulation. Wbat is eagerly awaited is the panel's future plans for more fundamental structural reforms, such as rescuing the heavily indebted banking aector.

The panel has been thrust into an intense debate over whether to let the country's big conglomerates, or chaebol, acquire ownership control of banks in an effort to improve their financial strength and performance.

The main chaebol are now banned from owning banks to prevent tbem from increasing their already coosiderable economic power. Each chaebol is limited to a 4 per cent share in the country's main banks.

But some analysts believe the banks' weak ownership structure has resulted in their lending decisions being mainly influenced by bureaucrats and politicians, as was recently revealed in the loans scandal surrounding the collapsed Hanbo steel group.

Chaebol ownership could provide more efficient management and credit risk analysis for the six biggest banks, whose non-performing loans are estimated at nearly 15 per cent of total lending. "There is a danger in allowing the chaebol to gain control of the banks, but who else has the financial resources to recapitalise them?" said Mr Adrian Cowell with Dresdner Kleinwort Benson in Seoul.

The financial reform panel yesterday proposed to ease curbs on nominations to bank boards by chaebol management.

However, the finance ministry is opposed to granting tbe chaebol increased control over the banks because of fears this would further distort lending decisions. Inatead, it is considering creating a state-aupported agency to collect bad loans by buying them from the banks at a discount. This would provide oeeded capital for the banks.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

■ UNITED STATES

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1986	105.8	100.1	6.9	98.4	95.8
1987	108.5	105.8	6.1	104.2	96.7
1988	113.0	110.5	5.4	104.8	100.2
1989	115.5	112.5	5.2	87.8	98.9
1990	118.2	112.3	5.5	82.7	94.6
1991	113.3	110.1	6.8	81.7	99.5
1992	117.0	113.8	7.4	81.8	104.4
1993	122.2	117.5	6.8	67.7	109.5
1994	129.6	123.4	8.0	79.0	111.3
1995	133.8	127.4	5.5	79.3	111.3
1996	138.9	130.9	5.4	77.1	117.4
1st qtr.1996	4.0	1.2	5.8	78.1	113.3
2nd qtr.1996	4.2	2.9	5.4	76.3	115.5
3rd qtr.1996	3.6	3.0	5.2	76.3	116.8
4th qtr.1996	3.8	3.9	5.3	77.8	117.4
March 1996	4.7	1.4	5.5	78.1	113.3
April	4.7	2.6	5.4	76.2	113.8
May	4.6	2.9	5.4	74.2	114.4
June	3.2	3.3	5.3	78.7	115.5
July	3.7	3.4	5.4	78.7	115.6
August	3.2	2.9	5.1	74.8	116.2
September	3.9	2.6	5.2	77.4	116.6
October	4.6	3.3	5.2	75.3	117.1
November	3.4	4.0	5.3	79.8	117.0
December	3.8	4.4	5.3	77.9	117.4
January 1997	5.1	4.6	5.3	79.3	117.7
February		3.8		82.2	

■ JAPAN

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1986	106.5	99.7	2.8	94.3	83.1
1987	113.8	103.1	2.8	108.3	90.9
1988	122.8	113.1	2.5	135.9	99.4
1989	132.6	119.7	2.2	147.0	98.3
1990	141.6	124.5	2.1	149.8	95.1
1991	144.5	126.8	2.1	144.2	91.8
1992	139.8	119.0	2.1	124.2	90.5
1993	121.7	113.6	2.5	106.6	95.7
1994	129.5	114.5	2.9	102.2	103.5
1995	128.5	116.5	3.1	106.5	106.1
1996	132.6	121.6	3.3	119.5	110.0
1st qtr.1996	5.8	1.1	3.3	111.6	108.2
2nd qtr.1996	3.2	0.8	3.5	115.9	108.8
3rd qtr.1996	1.4	3.9	3.3	122.4	109.2
4th qtr.1996	3.1	4.9	3.3	128.3	110.0
March 1996	5.8	-2.8	3.1	105.1	108.2
April	2.6	0.2	3.4	116.8	108.4
May	2.3	2.7	3.6	118.3	108.6
June	4.4	-1.1	3.5	111.9	108.8
July	-1.7	6.0	3.4	122.9	109.0
August	2.1	1.8	3.3	121.1	108.9
September	3.6	3.8	3.3	123.5	109.2
October	4.3	6.5	3.4	128.7	109.4
November	4.0	4.5	3.2	128.2	109.9
December	0.9	8.7	3.3	127.8	110.0
January 1997	2.2	6.8	3.8	133.8	110.8
February		3.4			

■ GERMANY

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1986	103.3	102.2	6.4	136.9	86.4
1987	107.4	102.6	6.2	149.5	86.0
1988	110.6	106.3	6.2	165.1	92.8
1989	114.2	111.4	5.6	218.5	87.0
1990	123.4	117.2	4.8	261.9	98.9
1991	130.7	118.0	4.2	297.9	96.4
1992	127.8	116.3	7.7	267.9	89.5
1993	121.8	109.2	8.8	229.0	95.4
1994	120.4	113.9	9.8	241.2	105.1
1995	120.6	115.7	9.4	268.1	100.9
1996	116.1	114.4	10.4	273.7	105.2
1st qtr.1996	-1.8	-4.1	10.3	272.4	100.8
2nd qtr.1996	-1.9	-1.8	10.2	261.8	101.8
3rd qtr.1996	-0.2	0.1	10.4	270.5	104.3
4th qtr.1996	-2.0	1.5	10.7	270.2	105.2
March 1996	-0.2	-3.4	10.4	283.8	100.6
April	-1.4	-2.1	10.2	283.0	100.1
May	-4.7	-2.8	10.2	280.5	101.6
June	0.5	-0.8	10.3	281.6	101.8
July	-0.3	-0.7	10.3	273.8	102.7
August	0.3	1.2	10.3	269.6	103.8
September	-0.6	-0.3	10.5	270.4	104.3
October	-2.1	0.9	10.6	269.8	105.3
November	0.4	0.7	10.7	269.6	105.2
December	-4.2	2.9	10.9	270.4	105.2
January 1997	-1.3	2.0	11.3	265.4	106.5
February		7.1		275.4	

■ FRANCE

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1986	102.4	101.1	10.4	107.0	95.5
1987	104.5	103.1	10.5	117.2	95.2
1988	107.9	107.3	10.0	135.3	100.0
1989	109.5	111.3	9.4	180.6	99.7
1990	110.4	112.8	8.9	163.2	94.9
1991	110.3	111.4	8.4	128.2	96.2
1992	110.5	110.0	10.4	109.5	94.8
1993	110.7	105.8	11.7	90.0	98.4
1994	110.7	109.9	12.2	104.1	101.8
1995	110.5	112.0	11.6		97.4
1996	110.1	112.4	12.4		100.0
1st qtr.1996	0.7	-0.6	12.1		99.2
2nd qtr.1996	-1.0	-0.3	12.4		99.7
3rd qtr.1996	-2.3	0.6	12.5		101.3
4th qtr.1996	1.1	2.0	12.7		100.0
March 1996	-1.0	-0.9	12.3		99.2
April	0.2	0.1	12.3		99.0
May	-2.3	0.0	12.4		99.1
June	-0.8	-1.0	12.4		99.7
July	-2.1	0.6	12.4		100.6
August	1.8	0.8	12.5		101.3
September	-6.7	0.6	12.6		101.3
October	4.2	1.8	12.8		101.8
November	0.0	2.0	12.7		100.9
December	-0.8	2.1	12.7		100.0
January 1997	0.2	0.6	12.7		99.1
February					99.5

■ ITALY

	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator
1986	106.8	104.1	10.4	94.5
1987	112.1	106.8	10.9	96.2
1988	107.9	114.2	10.9	100.5
1989	116.9	116.7	10.9	96.7
1990	114.4	118.0	10.3	95.4
1991	110.9	118.9	9.8	97.7
1992	116.9	115.4	9.8	94.7
1993	114.1	113.0	10.2	101.8
1994	107.4	119.9	11.1	103.5
1995	102.1	126.9	12.1	102.1
1996		123.8		104.8
1st qtr.1996		0.0	12.0	100.5
2nd qtr.1996		-1.2	12.0	100.7
3rd qtr.1996		-4.7	12.1	102.3
4th qtr.1996		-5.5		104.5
March 1996		1.2	n.a.	100.5
April		-3.8	n.a.	100.3
May		-1.3	n.a.	100.3
June		1.7	n.a.	100.7
July		-9.2	n.a.	101.1
August		-7.9	n.a.	101.8
September		-2.7	n.a.	102.3
October		-2.8	n.a.	102.6
November		-2.2	n.a.	103.4
December		-11.0	n.a.	104.5
January 1997		-1.8	n.a.	107.1
February			n.a.	

■ UNITED KINGDOM

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1986	105.3	102.5	11.2	116.1	92.8
1987	110.8	106.5	10.3	141.1	96.6
1988	117.8	111.8	8.6	144.0	96.2
1989	120.1	114.0	7.2	124.3	94.6
1990	121.1	113.7	6.9	97.7	92.5
1991	119.4	109.5	6.8	68.6	95.1
1992	120.4	109.4	10.1	69.6	97.8
1993	123.9	111.8	10.4	76.5	104.5
1994	128.5	117.4	9.5	93.9	106.6
1995	129.9	120.4	8.7	107.5	105.2
1996	133.8	121.8	8.2	132.0	108.5
1st qtr.1996	2.0	1.4	8.3	112.3	107.0
2nd qtr.1996	2.8	1.2	8.3	121.3	107.7
3rd qtr.1996	3.4	0.8	8.3	139.7	108.1
4th qtr.1996	3.9	1.5	7.8	154.5	108.5
March 1996	2.2	1.2	8.8	115.2	107.0
April	2.3	0.6	8.4	115.4	107.1
May	2.4	1.6	8.3	120.2	107.4
June	6.5	1.1	8.3	126.2	107.7
July	2.3	1.4	8.2	133.8	107.8
August	4.3	0.7	8.3	137.8	108.0
September	3.6	0.5	8.4	147.5	108.1
October	4.8	1.4	8.1	152.6	108.5
November	4.3	1.5	7.8	156.2	108.6
December	3.0	1.7	7.6	154.8	108.5
January 1997	4.8	2.5		152.9	108.3
February	4.4	1.5		157.4	108.1

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. **Retail sales volume:** data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). **Industrial production:** data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). ***Unemployment rate:*** *OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources.* **Vacancy rate indicator:** relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. **Composite leading indicator:** OECD data. Each is a combination of series, cyclical fluctuations which usually precede cyclical fluctuations in general economic activity.

EU postpones Cuba law action for week

By Emma Tucker in Brussels

The European Union yesterday agreed not to press ahead with a formal complaint in the World Trade Organisation against the US Helms-Burton anti-Cuba law, but has yet to approve a deal aimed at resolving the bitter EU-US dispute.

The decision to delay the WTO action by one week was taken after Sir Leon Brittan, the EU trade commissioner, presented ambassadors from the 15 member states with a draft text of the deal, mapped out by the European Commission and Washington late last week.

Membar stetes hope to reach agreement on the text tomorrow. It involves undertakings by US President Bill Clinton to seek to limit the application of Helms-Burton, which penalises foreign companies "trafficking" in Cuban assets confiscated by the Castro regime.

In return the EU would suspend the WTO disputes panel hearing its complaint against Helms-Burton but wonld retain the right to reopen its complaint if ever the US broke its side of the bargain or used the legislation against European companies.

Sir Leon said yesterday that the EU remained "absolutely resolute" in its opposition to Helms-Burton, but stressed that European rights were fully protected by the understanding.

"We don't think it is acceptable for one country to seek to obtain foreign policy objectives by imposing or threatening to impose sanctions on what other countries are doing in third countries," said Sir Leon. "Nonetheless, the council was willing to seek an overall bilateral settlement to halt the panel."

At the morning ambassadorial meeting, a number of countries, including France, Spain, Italy and Balgium, objected to the text, arguing that it did not offer sufficient guarantees for European companies.

Tha compromise package depends crucially on Mr Clinton securing authority from Congress to waive a provision in the law which requires the US to deny visas to executives of foreign companies "trafficking" in Cuban assets. However, his room for manoeuvre is limited.

No EU member state flatly opposed the text. "The overwhelming tide of opinion was to get this issue settled," said a Commission official.

Reservations are likely to be met by issuing, alongside the agreed deal, some sort of declaration restating the EU's opposition to Helms-Burton in principle.

"This was as good as could be got given the US situation," said one EU diplomat. "But that doesn't mean that we are happy or that we no longer think that Helms-Burton is a problem."

The text also agrees to seek to shelter European companies from the provisions of the D'Amato law which penalises foreign investors in the oil industries of Iran and Libya.

Both the EU and the US are eager to avoid a confrontation in the WTO. Such a serious rift would threaten to undermine the authority of tha newly established organisation which oversees the multilateral trading system.

Rome conference to consider setting up specialist network

Music piracy crackdown planned

By Alice Rawsthorn

Music industry executives meet in Rome this week to discuss the feasibility of investing in an international network of specialist units devoted to cracking down on music piracy.

Mr Rudi Gassner, president of the international music interests of Bertelsmann, the German entertainment group, said piracy had worsened considerably over the past year, necessitating greater efforts by the music industry to curb it.

"Piracy is theft," he said. "These people aren't just stealing from record companies, but from artistes, who don't see a penny of royalties."

For years record companies have made piracy a central theme of their political lobbying of national governments and international institutions.

On a practical level the International Federation of the Phonographic Industry, the trada association, has established anti-piracy units in problematic countries such as China and Bulgaria, both of which are among the largest manufacturing centres of illegal compact discs and cassettes.

Pirate versions of No Doubt's 'Tragic Kingdom' CD would fill industry with gloom

Mr Gassner favours record companies providing greater investment to enable the IFPI to expand existing anti-piracy operations, and to open new ones. It could thus build up a global network to detect music pirates and liaise with local officials to take action.

The anti-piracy initiative is on the agenda of the three-day conference in Rome, which started yasterday when record executives and pop stars gathered on the Terrazzo del Pincio to watch 150,000 pirate cassettes being destroyed by a bulldozer in a public anti-piracy protest.

Piracy bas long been acknowledged as one of the principal difficulties facing the global music industry. The problem has recently intensified, mainly because of the availability of relatively cheap compact disc production equipment.

Previously, music pirates had tended to concentrate on cassettes, which was less worrying for record companies as they are a declining medium and less profitable than CDs. The prospect of the global market being flooded with illegal CD versions of hit albums such as No Doubt's *Tragic Kingdom* or U2's *Pop* has far gravsr implications for the music industry.

Initially the new breed of CD pirates focused their efforts on immature music markets, where counterfeit music sales were already high.

Pirate manufacturers in China tended to sell to other Asian countries, while the output from Bulgaria's counterfeit factories was shipped to Russia.

These CDs are now increasingly distributed in the mature music markets of North America and western Europe, where piracy had seemed to be under control.

Some 208,797 illegal compact discs were seized in the US in 1996, compared with 25,652 the previous year, according to the Recording Industry Association of America.

Similarly the number of bootleg CDs, primarily unauthorised recordings of concerts, escalated from 84,965 in 1995 to 1.26m last year.

Helms-Burton deal fails to impress Cuba

Cuba is unimpressed by the deal struck between the US and the European Union to defuse a trade row over the US Helms-Burton law, Pascal Fletcher reports from Havana.

Mr Ricardo Cabrisas, the Cuban foreign trade minister, said the extraterritorial challenge to the sovereignty of Cuba and other nations posed by the US law would not be solved by any partial agreement between the US and Europe.

"For Cuba, no understanding of this kind has any great value," he said. But he stressed his government had received no official notification of the understanding reached on Friday between the EU and Washington.

Mr Cabrisas made clear Cuba would continue to fight for the lifting of not just the Helms-Burton law, introduced last year, but of the entire 35-year-old US economic embargo against the island. He accused Washington of waging "economic war" against Cuba, and said his country was resisting "with relative success".

Singapore Airlines, Ansett in talks

By James Kynge in Singapore

Singapore Airlines yesterday confirmed it had held talks with Ansett, an Australian airline, and its major shareholder, Air New Zealand, on the possibility of a new commercial relationship.

Mr Karjit Singh, spokesman for the Singapore carrier, said his company regularly undertook such talks with othar airlines and declined to comment further.

But airline industry executives said the talks with Ansett and Air New Zealand were proceeding well and it appeared likely that a new commercial agraament would be forged.

It is understood the talks are directed at formulating joint pricing strategies between the airlines and code sharing on routes between Australasia and Europe, via Singapore. Code sharing is an arrangement whereby one airline is given dispensation to sell seats on another.

The three companies are not, however, considering an equity tie-up, as some reports have suggested in the past, the executives said.

Part of the impetus for talks on the new commercial pact bas been a perceived need by airlines to form alliances and shore up market share as an increasing number of Asian countries sign open skies agreements with the US.

The open skies agreements are expected to usher in an era of intensified competition because they allow airlines to fly as often as they wish between destinations in signatory countries.

Australia and New Zealand have not yet agreed to join the open skies agreement, but are believed likely to do so.

For Singapore, which signed an open skies pact this month, there is an added incentive to a possibla commercial agreement with the two airlines.

Malaysia is due to open its international airport in January next year, expanding greatly the number of landing slots and flight frequencies for Malaysian Airlines, which is Singapore Airlines' biggest competitor. Both airlines operate the Australasia-Europe route and regard it as important.

Duty on Norway salmon under fire

By Caroline Southey in Luxembourg

Sweden yesterday attacked ths European Commission over plans to impose a 13.7 per cent duty on imports of Norwegian salmon. It said the case had been mismanaged because of hasty decisions made on the basis of questionable statistics.

Sir Leon Brittan, European commissioner for trade affairs, is expected to announce shortly that the EU will press ahead with the proposed duty. Sir Leon has the power to impose provisional duties for six months after consulting the EU's committee on anti-dumping, which is made up of representatives from member states.

An EU official said Sir Leon was not expecting unanimous backing from the committee, but would impose a provisional duty if six or more countries backed the proposal. The official said a number of countries supported Sweden's opposition to the duty including Germany, Denmark and the Netherlands.

Commission experts recommended the duty last month after concluding that Norwegian prodncers had been selling salmon in the EU at less than the cost of production, and that they had been paid unfair state subsidies which had depressed prices and hit Scottish salmon profits.

The Swedish government argues forcefully against the duty in a letter to Sir Leon, because it is not convinced Norwegian exports have hurt Community producers. Sweden accuses the Commission of setting "very tight dealines" which has made it difficult "to ensure a proper treatment of the case".

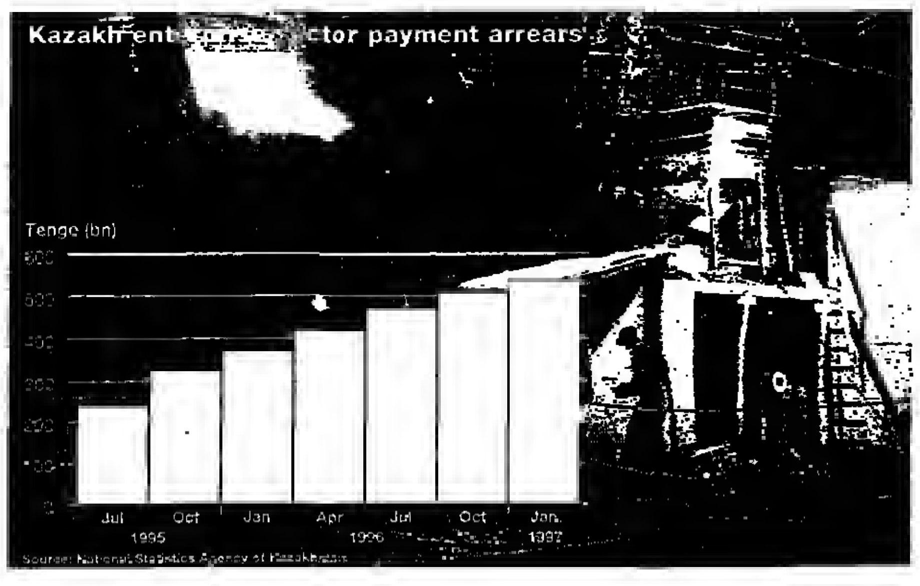
The letter contends that the Commission is acting against the spirit of tha European Economic Area (EEA) which groups the 15-member states in a free trade area with Norway, Iceland and Lischtenstein. "The EEA does not contain any formal obstacle to anti-dumping and countervailing action against salmon imports, but the spirit in our view calls on the union to try to solve trade issues through a dialogue, and evoid unilateral measures."

Feature, Page 14.

NEWS: INTERNATIONAL

Kazakhstan creaks under debt burden

Charles Clover on the payment arrears which are putting the economy under severe strain



The Kazakh economy is dangerously close to a fiscal crisis resulting from a build-up of payment arrears which now total half the country's gross domestic product.

Tax collection in this year's first quarter fell 30 per cent in real terms against last year's period, primarily because of a failure to collect from the corporate sector, bardest hit by the arrears crisis.

Kazakh officials last week told Interfax news agency that the government budget deficit might be up from the targeted 3.16 per cent of GDP in 1997. An increase in the deficit could raise foreign borrowing or strain the country's commitment to a stable monetary policy, although plans have already been made for a $200m-$300m Samurai bond issue over the summer.

Overdue debts of Kazakh enterprises total 541bn tenge ($7.2bn), equivalent to balf the country's GDP. This includes a back-pay bill totalling 44bn tenge, 30bn tenge-worth of pensions, and a 70bn tenge electric bill.

Energy deliveries have been hardest hit by tbe arrears build-up, and have virtually stopped in many parts of the country as newly privatised utilities, refineries and coal pits have either shut down or begun exporting virtually their entire production rather than deliver to heavily indebted customers. Most Kazakh cities went with little or no heat or electricity last winter.

To make up for this, the Kazakh government has apparently reverted to its old, centrally planned self. Oil companies Mobil and Chevron have been ordered to supply diesel fuel to hard-up Kazakh farmers so that the sowing season can begin.

Workers and pensioners, many of whom have not been paid in several months, bave been demonstrating sporadically over the past few weeks, though a general strike two weeks ago failed to win mucb support.

Most Kazakh officials blame the tight monetary policy prescribed by tbe International Monetary Fund for the bankruptcy of many of the country's enterprises. However, a western economist noted: "This is not a liquidity crisis. It's not happening because there aren't enough tenge in the economy.

"If that were the case, interest rates would be going up, but they are going down. Besides, if you create tenge, all people do with them is buy dollars."

While much of the crisis is due to simple insolvency – enterprises cannot pay their bills because they are owed money which they cannot collect – the underlying reasons for the payments arrears are elusive, because data detailing exactly which enterprises owe money to which are considered an official secret. Such data are believed to show, tbougb, that most of the uncollectable debts received government sanction under Kazakhstan's haphazard privatisation programme, in which investors have been able to buy or rent, via five-year "management contracts," the assets of many state-owned enterprises without assuming the liabilities.

The most celebrated of these cases was AO Karmet, a steel company at one time accounting for 5-10 per cent of the country's GDP, and first placed under a management contract, then privatised in such a way that the assets of the company were sold but the liabilities were not.

This practice of declaring a moratorium on the debts of privatised enterprises bas become so institutionalised that, in December, crude oil deliveries to the Pavlodar refinery stopped after an announcement that it would be privatised. Suppliers were wary of having their shipments wiped off the books.

The bad debts of Kazakh enterprises have not stopped accumulating after privatisation, however.

Many of the companies that have bought or rented the Kazakh assets are not the most reputable, and one of the best kept secrets in Kazakhstan is wbo owns them. They are by and large trading companies, often registered in various Caribbean islands. As contractors are only permitted to keep a small percentage of their profits, they are encouraged to use their Kazakh factories and mines solely as a source of cheap inputs for processing facilities owned elsewbere.

"We are examining these management contracts and will tear up the ones that have not been honoured," said Mr Nurgali Ashimov, deputy minister of the economy. Last month, a reorganisation of the Kazakh bureaucracy abolished the state property committee and the industry ministry, both of them proponents of management contracts.

Mr Ashimov said his ministry was working on ways to reduce the payment arrears by cancelling out crosa-indehtednesa, and would soon begin to securitise overdue receivables, a method used with some success in Russia.

In 1994, a similar problem of inter-industry arrears was resolved when the National Bank was forced to double the Kazakh money supply to pay everyone off. In that year, the tenge lost 80 per cent of its value and inflation climhed to 1,800 per cent.

Bank and finance ministry at odds as growth forecast shrinks

Israeli stand-off over economy

By Judy Dempsey in Jerusalem

Israel's finance ministry and central bank were yesterday locked in disagreement over how to stimulate the economy after the 4 per cent estimate for growth in gross domestic product this year was revised down over the weekend to 3 per cent. Last year, GDP grew by 4.4 per cent.

With the business community clamouring for a cut in interest rates, currently topping 1S per cent, the Bank of Israel is reluctant to loosen its monetary policy while inflation is running at an annual rate of 10.1 per cent.

The finance ministry, under pressure to cut the budget further, possibly by as much as Shk1bn ($294m), in return for lower interest rates, is equally reluctant to act when the economy is slowing more quickly than expected.

Ms Danielia Finn, of investment analysts Ilanot-Batucha, said high interest rates, fewer new immigrants and the decline in the property sector had all helped to slow GDP growth.

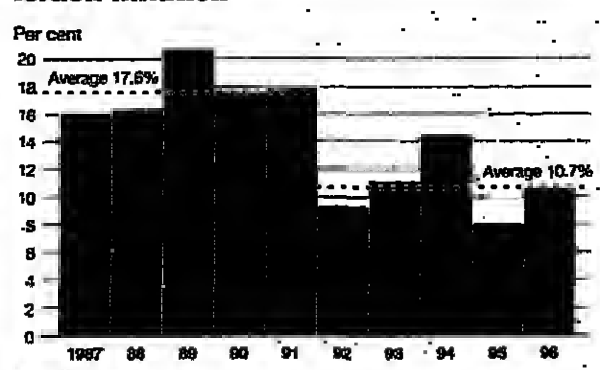
A sharp fall in investment in fixed assets is another concern. In the view of Bank Hapaolim, Israel's largest, investment will rise by only 2 per cent this year.

The finance ministry and central bank have been at loggerheads for several months, with the latter wanting fiscal policy tightened before any reduction in interest rates. In response, the ministry introduced budget cuts of Shk7.2bn as part of an ambitious plan to bring the deficit down from last year's 4.9 per cent of gross domestic product to 2.8 per cent this year. It expected the bank to respond accordingly.

But the latter is still insisting that it will not compromise. Paradoxically, analysts say its high interest rate policy is creating inflationary pressures. "Israeli companies are taking loans in US dollars then converting them into shekels to take advantage of the high interest rates," said Ms Finn. As a result, the central bank has had to buy dollars to keep the shekel within the band of currencies to which it is tied, allowing it only to devalue by 6 per cent a year.

During the first quarter of this year, the bank was buying more than $1bn a day. Said Ms Finn: "All these shekels flow into the market and enlarge money supply which induces inflation."

Israel: inflation



Source: Bank Hapoalim

INTERNATIONAL NEWS DIGEST

Mobutu strike halts Kinshasa

Zairean troops fired in the air yesterday to disperse supporters of veteran opposition leader Etienne Tshisekedi whose stay-at-home stoppage, called to press for President Mobutu Sese Seko's departure, brought the capital Kinshasa to a standstill.

The "dead city" protest shut down government offices and most private businesses. There was no public transport, making it impossible for most of Kinshasa's 4m residents to get to work.

Staged in defiance of recently introduced state of emergency regulations, the stoppage was a test of popularity for the opposition Union for Democracy and Social Progress at a time when the rebel movement of Mr Laurent Kabila is continuing its march across the country.

Convinced Mr Mobutu'a days are numbered, the opposition is trying to position itself as a player the rebel alliance cannot afford to ignore once it reaches the gates of Kinshasa.

Despite a supposed three-day "pause" in military activity, the alliance over the weekend captured the central town of Kananga and southern mining town of Kolwezi. It also tightened its control on the copper and cobalt-rich province of Shaba, appointing a new governor and announcing plans to renegotiate mining contracts with foreign companies. *Michela Wrong, Kinshasa*

Egypt push for peace process

Egypt said yesterday it would launch a widespread diplomatic campaign to lobby Washington and the European Union for initiatives it hopes will salvage the faltering Middle East peace process.

Mr Amr Moussa, Egypt's foreign minister, told reporters Cairo would take part in a flurry of diplomatic efforts which would try within the coming weeks to push forward Israeli-Palestinian peace negotiations fettered by Israel'a decision to build a new Jewish settlement in disputed Arab East Jerusalem.

"We will have discussions with European Union foreign ministers in Malta," Mr Moussa said. Mr Osama el-Baz, the Egyptian presidential adviser, would go to Washington today to meet Mr Dennis Ross, the US Middle East envoy.

Mr Yassir Arafat, president of the Palestinian Authority, met Egyptian President Hosni Mubarak in Cairo yesterday for talks on the latest troubles facing the Middle East peace process.

Countries attending the two-day foreign ministers' conference in Malta are to discuss advancing the 27-member EU-Mediterranean partnership created in Barcelona in 1995. *Reuter, Cairo*

Algerian guerrillas kill 30

Moslem guerrillas killed 30 people overnight in Chebli village, 50km south of the Algerian capital, Algiers, the Algerian security forces said in a statement yesterday.

The statement, released by the official Algerian news agency APS, said the 30 people were "assassinated in a cowardly way by a terrorist gang", the official term used for rebels committing murders by cutting throats. It was the second mass killing in three days. in a similar raid on Friday night, rebels slaughtered 22 villagers in the neighbouring village of Menaa. *Reuter, Paris*

Use of fish quotas attacked

Parties vie with tough talk on EU

By John Gapper in London and Caroline Southey in Luxembourg

The general election campaign

Both leading parties yesterday tried to exploit public discontent with the European Union by promising to take a tough stance to protect UK fishermen's rights in forthcoming talks.

The Conservative and Labour parties said they were prepared to block progress at an EU minsters' meeting in June unless an agreement was reached on "quote-hopping".

This is the term used to describe the purchase by non-UK boat owners of the right to catch fish allocated by the EU to UK boats. Around a quarter of UK fishing tonnage is owned and operated from outside the UK.

Mr John Major, the prime minister, travelled to south-west England to campaign among fisherman who are protesting about the practice. Fishermen from Spain have been accused of quota-hopping.

The opposition Labour party, which has criticised Mr Major's party for taking a too-negative stance towards the EU, insisted it was also prepared to block agreement at the inter-governmental conference on the issue.

Mr Gavin Strang, Labour's chief agriculture spokesman, said it was "scandalous" that quota-hopping had been allowed to grow and EU fishing quota cuts were "utterly unacceptable" unless a deal on reducing quota-hopping was reached.

Labour has been cautious about appearing too positive towards the European Union during the election campaign because of evidence that the electorate is sceptical about the benefits of EU membership.

Mr Major's visit to Cornwall, in the far south-west of England, came after the launch there of the Referendum party's election campaign. The party was founded by Sir James Goldsmith, the billionaire financier, who has attacked EU moves towards political and economic union.

Mr Tony Blair, the Labour leader, said his party differed from the Conservatives in not adopting "a policy of perpetual isolation", but that "where Britain's interests are at stake, we are perfectly prepared to be isolated".

The emergence of fishing rights as a political issue comes after prolonged wrangling between the UK and the EU over the EU's ban on exports of British beef.

The UK debate emerged as EU fisheries ministers rejected as too high proposals for cuts in fleet sizes and the number of days boats can spend at sea.

EU officials said a deal could be struck today based on a Franco-German proposal for a 15 per cent cut in capacity for threatened fish stocks, and a 10 per cent cut for "over-fished stocks". The figures are lower than Dutch proposals.

Mr Tony Baldry, the UK fisheries minister, said he believed that "natural justice" was on the UK side since 26 per cent of boats of more than 10 metres registered in the UK were quota-hoppers. The UK stance was criticised by Spain and the Republic of Ireland.

Separately, Labour attempted to establish UK education as a leading campaign issue by publishing a 21-point proposal for an improvement in the state-run school system.

Labour, which has seen a narrowing of its big lead in the opinion polls after mixed success in campaigning last week, has attempted to re-establish a "positive" campaign in spite of its continuing criticism of Conservative policies.

Farms official suspended in subsidy probe

By John Murray Brown in Dublin

An official at Northern Ireland's Department of Agriculture has been suspended on full pay amid an investigation into possible fraud connected with a beef subsidy programme part-financed by the European Union. "The suspended man will be questioned over the possible fraud and other irregularities," the department said last night.

Irregularities have been discovered in a department branch office on the border with the Irish Republic. Northern Ireland police have been informed.

The case is understood to involve the misuse of cattle identification tags which allowed live cattle smuggled in from the Irish Republic to claim the EU subsidies intended for Northern Ireland steers.

The method is thought to involve the re-use of ear tags from slaughtered animals on which the subsidy had been paid. Tags were then used to claim the subsidy again.

Individuals convicted over past agricultural scams, including the sale of banned animal growth hormones, have been linked to the Irish Republican Army.

Northern Ireland farmers receive an estimated £36m ($58m) a year under the Beef Special Premium scheme, paid on steers – male cattle – in an EU attempt to discourage oversupply of milk.

The department would normally expect around 234,000 applications a year. But in 1996 the department saw a 15.5 per cent increase in the number of applications – with half of the increase in December.

Industry officials calculated the supplement may have been claimed on as many as 35,000 animals – a fraud of more than £5.5m. However, a Department of Agriculture official said this was "wildly out".

The affair is potentially damaging to the Northern Ireland farm industry, which has made much of its computerised system for tracing animals during the controversy over "mad cow disease".

The Northern Ireland Housing Executive said yesterday that 17 homes were damaged in violence in Belfast on Sunday night. Sinn Féin, the political wing of the IRA, said the attacks were orchestrated to drive Roman Catholics out of a district of the capital where they live close to Protestants. Families fled as gangs smashed windows and furniture.

Mr Gerry Kelly, Sinn Féin candidate for North Belfast in the British national election, said: "It is clearly not good enough that in this day and age scenes reminiscent of those of the turn of the century and the inception of the six-county state [Northern Ireland] are still visited upon us."

■ LOW PROFILE

The political reputation of Douglas Hogg has sunk steadily in the two years since he was appointed chief minister for farming and fisheries. He ensured months of criticism from opposition MPs and farmers during the crisis over bovine spongiform encephalopathy ("mad cow disease") and has been conspicuous by his absence from the Conservative party's election campaign. Mr Hogg and his wife Sarah are both children of Conservative politicians. His father, Lord Hailsham, became an MP for the party in 1938 and served as a minister in the 1960s and 1970s. His wife, formerly a journalist on The Times and the Economist, headed John Major's policy unit from 1990 to 1995.

Douglas Hogg

■ HIGH HOPES

Gavin Strang

The son of a Scottish tenant farmer, Gavin Strang, Labour's chief spokesman on farming and fisheries, is one of the very few senior figures in the upper reaches of the party today who held office in the last Labour government. An agricultural scientist by training, he entered the House of Commons as MP for an Edinburgh district in 1970 and served as a junior energy and later agriculture and fisheries minister until the government was ousted by the Conservatives led by Margaret (now Baroness) Thatcher in 1979. Once associated with the left wing of the Labour party, he is now identified with the "modernising tendency" personified by Tony Blair, the party leader.

Ministers are accused over defence pledge

By George Parker, Political Correspondent

Labour yesterday claimed that the Conservative government had broken a pledge to keep military spending stable after the Ministry of Defence confirmed a cut in real terms in next year's budget of some £500m ($810m).

Mr David Clark, Labour's shadow defence secretary, claimed the 2.2 per cent cut was evidence that the government was continuing to cut defence spending "on the sly".

Labour's attack suggests that the party, which in its manifesto for the 1983 election pledged to abolish Britain's nuclear deterrent, believes it has neutralised defence as an election issue, and even feels confident enough to attack the Conservatives' on what is traditionally their own ground. In the last four elections, the Conservatives have put defence at the top of their campaign agenda, successfully arguing that Labour would put Britain's security at risk.

The Conservatives retain a small opinion poll lead over Labour on defence, but the issue has lost its potency. Mr Michael Portillo, chief defence minister in the Major government, held a press conference on the subject last Saturday, but it was little reported.

Mr Clark seized upon a little-noticed report, "MoD: the government's expenditure plans 1997-8 to 1999-2000", published last month, as proof that defence cuts were continuing. The report shows a year-on-year real-terms cut from the estimated £21.3bn budget for 1996-97 to the planned £20.8bn for 1997-98.

"For all his professed commitment to Britain's security, Mr Portillo cannot disguise the fact he has slashed the country's defence capability, and continues to do so on the sly," Mr Clark said.

When Mr Portillo published the defence ministry's spending plans after last November's national Budget, he said: "I am committed to providing our forces with appropriate levels of resources and to a period of stability for defence."

Yesterday Mr Nicholas Soames, the armed forces minister, insisted defence spending would remain stable in real terms and would go up slightly at the turn of the century.

"Labour offers only the confusion of a defence review and the cuts which they long to impose on our defences," Mr Soames said.

The difference between Mr Soames's claim and his own ministry's figures is explained in part by expenditure of £380m in 1996-97 which was carried forward from underspending in the previous year.

Mr Portillo said that comparing this year's actual spending and next year's planned spending was like comparing "apples with pears".

More election news at the Financial Times website http://www.FT.com

Labour protests at Sinn Féin jibe

By John Kampfner, Chief Political Correspondent

Efforts by the ruling Conservative party to portray their Labour challengers as soft on terrorists backfired yesterday when a Conservative candidate was forced to apologise after claiming that a vote for Labour was a vote for Sinn Féin, the political wing of the Irish Republican Army.

A leaflet issued by Mr Peter Scrope, a candidate in northern England, said: "Sinn Féin wants you to vote New Labour. For goodness sake, save Great Britain, vote Conservative."

Later Mr Scrope, a former soldier, said he had "over-simplified" the issues. He criticised Labour's record on the Prevention of Terrorism Act and remarks by Ms Marjorie Mowlam, Labour's Northern Ireland spokeswoman, on prospects for Sinn Féin joining talks on the province's future. He said he regarded his leaflet as a "legitimate contribution to the debate".

The row highlighted the increasing fragility of the bipartisan approach to Ireland, in which Conservatives have alleged that a Labour government would be "soft on terrorism".

Editorial Comment, Page 19

BLUE CHIPS OF TODAY AND TOMORROW

Hogy Medical–Sharpening its Competitive Edge

Hogy Medical Co., Ltd., is a leading supplier of medical disposable products to institutions around Japan. Founder and president Masao Hoki has implemented an aggressive investment program to maintain the company's expansion well into the future.

Masao Hoki, President and CEO

Business Profile

For those unfamiliar with Hogy Medical, the company has three main business areas.

The first is Mekkin Bags, which improve the sterilization and storage of medical instruments. These bags account for almost 80% of the Japanese market.

The second area is a range of disposable items made from Du Pont Sontara™ non-woven fabric, notably operating gowns and surgical drapes. These items incorporate Hogy Medical technologies that enhance flexibility and waterproofing. Sontara stems the in-hospital spread of methicillin - resistant staphylococcus aureus, hepatitis B and C, and human immunodeficiency virus. Sontara disposables are also labour-savers. Hogy Medical has a leading position of around 40% of Japan's market for medical non-woven products; the share in surgical non-woven fabrics is about 70%.

The third business is disposable kits for examinations and surgery. The company expects the market for these offerings to expand swiftly in the years ahead. Japanese institutions rely increasingly on the kits to reduce labour shortages and high personnel costs by freeing staff from the need to perform complex sterilization tasks and materials handling. The kits also eliminate the dangers of improperly selected and assembled surgical materials.

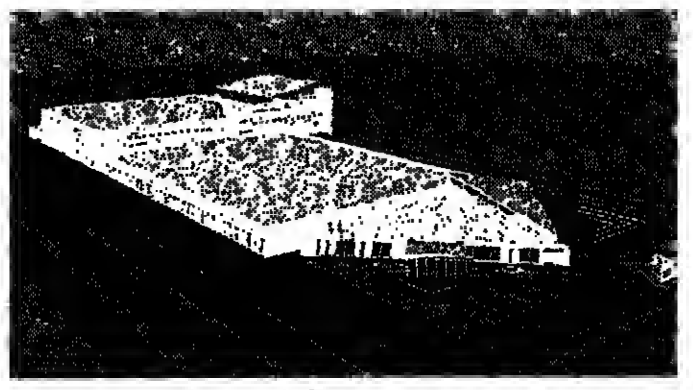
Proactive "Safety" a Key to Success

Hogy Medical has remained a fast-growth company for most of its 42 years. The six months to September 30, 1996—the first half of the fiscal year ended recently—were no exception. Net sales climbed 7.2%, to ¥9.2 billion. Net income jumped 10.8%, to ¥1.0 billion. Both these results were record highs.

But Mr Hoki is anything but complacent about such results. "It's great that we've done well," he says, "but the playing field is changing all the time. We're entering an age of megacompetition, one in which resting on our laurels would be the most dangerous thing we could do. And our home market is changing dramatically—I think for the better. The bottom line in my company is that we're acting now to sharpen our competitive edge while we're at the top. Yes, we've done well to date. Still, I'm absolutely certain that we've only just begun to scratch the surface of potential in the medical disposables market."

In a changing industry, the concept of "safety" remains a constant in Mr Hoki's business approach. "We're a highly proactive company. But we never compromise product or supply safety. Our commitment to that ideal has and will remain fundamental to our existence. It's really all about maintaining customer trust. So, we are constantly upgrading and expanding facilities to serve demand more efficiently and at the most competitive prices. No, we don't dump product. In fact, we always strive to maintain solid margins whatever the price point."

He adds that: "On top of that, we fund most of our investments in-house using our cash flow. The additional benefit of this approach is that we can minimize interest payments to banks. We feel that this is the most prudent thing to do."



Architectural model of P.T. Hogy Indonesia facilities

Emphasizing the Kit Market

As the third of Hogy Medical's business areas, kits have tremendous potential. The marketing of these products is crucial because they offer new growth opportunities. So, how is Hogy Medical tackling the challenge?

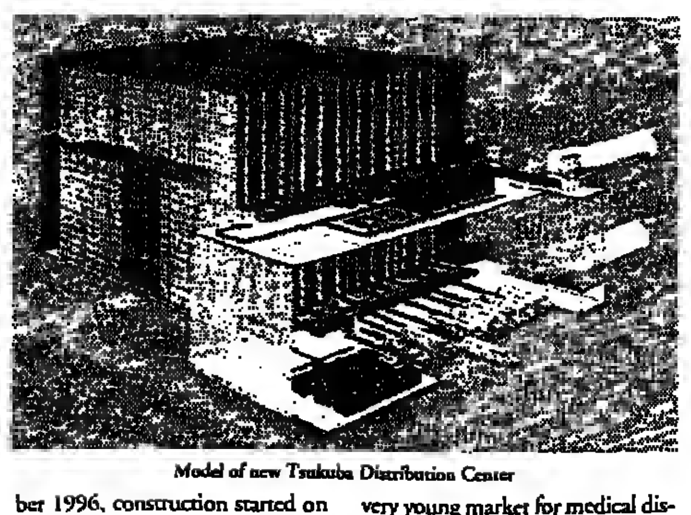
Mr Hoki says that: "We have great expectations for kits. And as in other businesses, our safety concept extends to maintaining stable supplies. With kits, it's impossible to project short-term demand because we're marketing the products so heavily. It's far better to be prepared than be caught short. Some investors have said that our kit inventories are excessive.But I'd like to assure them that we're keeping additional kits on hand for a very good reason. We did the same with Mekkin Bags and Sontara products when we first launched them."

Indonesian Base Increasingly Important

The wholly owned P.T. Hogy Indonesia exemplifies the company's desire to maintain stable supplies at competitive prices while enhancing the bottom line. This subsidiary started full-scale production of sewn non-wovens in January 1996. The finished products are shipped to Japan. The operation went into the black on a monthly basis by April that year. The subsidiary had completely covered its accumulated costs by January 1997. It should thus contribute to Hogy Medical's consolidated performance for the fiscal year ended recently.

Mr Hoki is very pleased with the Indonesian operation because it provides very important benefits for the company. He says: "First and foremost, non-wovens sewing is very labor-intensive. I don't think we could afford to keep doing this in Japan. While the Indonesian manpower costs are much lower, the quality of our employees there is very high. They produce world-class product for Hogy Medical. The other point about manufacturing in Indonesia is that we can absorb the increased import expenses resulting from the yen's depreciation. We can thus extend our lead over competitors in Japan sourcing finished goods from higher cost markets."

P.T. Hogy Indonesia currently employs 450 people, of whom just one is Japanese. The operation will soon be much bigger. In September 1996, construction started on a second plant. The new facility is schedule for completion by June 1997. As a result, P.T. Hogy Indonesia will have around 1,000 workers. It will be the world's biggest non-wovens manufacturing complex, with a total floor space of 33,000 square meters.



Model of new Tsukuba Distribution Center

Marketing Beyond Japan

Such a massive scale in Indonesia implies that Hogy Medical is looking beyond the Japanese market. Mr Hoki says that: "Both common sense and our market research show us that demand for disposable medial supplies in Asian markets outside Japan will be massive in the next few years. Now is the time to prepare for regional growth, and our Indonesian base will soon be perfectly positioned in that regard."

At this point, however, Mr Hoki is quite specific on where he sees opportunities. "We're looking toward Southeast Asia for our initial growth spurt. Yes, high-population areas like China are certainly worth considering. We'll keep them in mind. For the time being, it is much better to concentrate on Southeast Asia because it is infrastructurally more ready to consider medical disposables."

Stepping Up Automation Domestically

While shifting labour-intensive operations to Indonesia, Hogy Medical continues to cut costs domestically by increasing automation. Mr Hoki says that: "We still need production and distribution facilities in Japan to maintain stable supplies. Automation is the key to keeping such operations competitive against both Japanes and foreign rivals. And Japan is still a very young market for medical disposables, so we must always be certain that we have instant access to supplies."

The company is currently building a heavily automated distribution facility next to the Tsukuba Sterilization Center—the world's largest such operation. When it starts operations in November this year, the new facility will be able to ship 20,000 cases of kits daily and will employ just four or five people. A conventional counterpart would use about 160 workers.

A Diversifying Product Mix

Mr Hoki cannot predict exactly what products the company will launch in the next two or three years. "We've submitted countless applications with the Ministry of Health and Welfare. But it will take time to get approval for many products because they are for new applications. But I can be general, if that helps. Our prime emphasis now is on disposable kits, for which potential demand is very high. All products eventually mature, and I'd expect to replace about a third of our current offerings within the next few years, mostly with kits. My reasoning is that many Japanese hospitals are now desperate to replace expensive and scarce labour with cheaper alternatives. Our kits can help realize tremendous savings for users."

Hogy Medical is also taking an innovative approach to product development. "Obviously, we're all about serving needs. We can't work in a vacuum," says Mr Hoki. That's why we're working closely with several medical institutions to come up with new product solutions. We'll increase such cooperative efforts over the next few years."

A Positive Outlook

As a result of Hogy Medical's heavy investments, Mr Hoki is confident that the company will continue to offer shareholders excellent value. He nevertheless cautions about expecting major dividend increases in the near future. "We plan to maintain dividends at current levels for the next few years. That period will be one of many new products and new markets. I'm confident that we will consistently achieve double-digit sales and earnings gains as a result. I'm also sure that we can implement ongoing stock splits, thereby providing our shareholders with superior returns for many years to come."

HOGY
HOGY MEDICAL Co., Ltd.
Tokyo Japan

GEC Alsthom's first order since privatisation of network confirms new momentum in sector

Anglo-French group wins $162m rail deal

By Charles Batchelor, Transport Correspondent

GEC Alsthom, the Anglo-French transport equipment group, yesterday announced a £100m ($162m) contract to supply and maintain eight eight-car trains for the Gatwick Express service. It is the manufacturer's first UK train order since the privatisation of British Rail.

The trains will cover the 40km between Victoria Station in London and Gatwick airport, the second-busiest airport in Britain.

This is the third rolling stock order to be placed since privatisation of the national rail network and confirms the growing momentum of new train orders following a gap of nearly three years during which the network was sold.

The newly privatised train operators have promised the government's franchising director that they will order a total of £1bn to £1.5bn worth of new trains.

"The supply industry is beginning to show signs of health again," said Mr David Gillan, director of the Railway Industry Association, which represents manufacturers. "But to put it into context, the new companies are not ordering as much as BR [British Rail, the former state network] used to do and we are not yet back to a level to maintain the rail fleet."

The latest contract, for which a letter of intent has been signed, follows a £200m order for 44 new trains for the London, Tilbury & Southend line, which runs trains to the east of the capital, and a £34m order for four trains for Chiltern Railways, which operates to the north-west. Both the earlier contracts were won by Adtranz (ABB Daimler-Benz), the Swedish-German rail group.

Gatwick Express is owned under a 15-year franchise by the National Express coach, bus, airports and rail group.

Highly visible: the trains will advertise themselves to potential customers arriving by air

GEC Alsthom won its order against fierce competition from more than 20 international train suppliers, but has committed itself to a tight delivery schedule and tough performance targets during the 12 years of the maintenance contract. The company fell behind deadlines on three recent contracts, two involving new trains for the state-owned London Underground.

The new Gatwick trains will be capable of speeds of up to 160kph, allowing journey times to be cut by 5 minutes to 25 minutes and, in the longer term, possibly to 20 minutes.

This order represents the first success for GEC Alsthom's Juniper project, which involves a modular design of train which can be easily modified to meet the requirements of different operators.

"In the past, BR gave tight specifications for new trains and the manufacturer had little or no room to make changes," said Mr Peter Murray, managing director of GEC Alsthom Metro-Cammell. "But now the train operator sets performance targets for us to meet."

Lottery operator fails to block rival

By Robert Rice, Legal Correspondent

Court rejects case against game run by betting shops

Camelot, the consortium which operates the National Lottery, yesterday failed in a second attempt in the High Court in London to halt 49's, a rival lottery game run by Britain's three largest betting groups. The members of Camelot are Cadbury Schweppes, the UK food processing company; De La Rue, the banknote and security printer; ICL, the UK computer offshoot of Fujitsu; Racal, the electronics and communications group; and GTech, the US lottery equipment manufacturer.

The court said an application for judicial review of a decision by the Director of Public Prosecutions not to prosecute the rival game was not the proper route for Camelot to try to establish that 49's was an "unlawful lottery". The judge said he had reached the conclusion that the "only proper remedy" was for Camelot to bring a private prosecution. In February, another judge refused the company permission to challenge the DPP's decision on the same grounds.

The court refused Camelot leave to appeal to the House of Lords, the unelected upper House of Parliament, which acts as a high court of appeal.

Camelot said it was considering its options, including the possibility of a private prosecution. "We are naturally disappointed by the court's decision because it leaves unresolved the issue of the illegality of 49's," the company said.

Camelot claimed that 49's, which was launched at the end of last year by Ladbrokes, William Hill and Coral to try to recoup some of the business lost to the National Lottery since its launch 2½ years ago, was an illegal lottery.

In December it asked the DPP to intervene to stop the game's launch, claiming it would result in the loss of hundreds of millions of pounds to the National Lottery, hitting the "good causes" it supports. Camelot pays 28 per cent of its revenues to good causes, such as sport and the arts.

The DPP decided, however, that the game, which has a turnover of about £3m a week, amounted to fixed-odds betting and was therefore legal even though it relied on the outcome of a chance event.

Camelot's cause was not helped by a delay in taking action. Although the 49's game was launched only recently, a similar game, Lucky Choice, in which bookmakers take bets on the balls in the Irish Lottery, had been running unchallenged in the UK for more than a year.

The 49's game, run through betting shops, allows punters to pick five numbers from 49 for a top prize of £100,000 ($162,000). If they choose three correct numbers, they win £511 for a £1 bet as opposed to £10 on the National Lottery. The winners are chosen after the last race of the day and broadcast in betting shops.

Mr John Morgan, chairman of 49's, hoped Camelot would now "desist from pursuing this matter further".

Report says more people live to 100

By Nicholas Timmins, Public Policy Editor

There has been a "spectacular" increase in the number of people living to be older than 100 in the UK, a study on the health of adult Britons said yesterday.

The report, from the Office for National Statistics, reviews adult health for the past 150 years, noting that in each generation from 1841, people have lived longer. Since 1950, the number of centenarians has increased at the rate of 7 per cent a year – faster than for most other age groups.

While their total numbers are small – 4,400 in 1991 – they are set to rise to 45,000 by 2031 assuming death rates will continue to improve, but at a slower rate.

Mr Roger Thatcher, a former registrar general and co-author of the report, said there was a view "that medical advances are imminent which will offer the prospect of new cures for many forms of cancer, the postponement of death from heart disease and other major changes". Combined with improved lifestyles that could lead to "substantially lower death rates at high ages than those observed at present".

However, economic pressures may make it difficult to pay for healthcare for ever-increasing numbers of elderly, while world population growth combined with a deteriorating environment may increase mortality rates.

Death rates are falling, even for the very elderly, "and there are no medical or biological reasons to expect this trend to be halted in the immediate future". That has raised the suggestion that "there may be no limits to human longevity".

The oldest recorded age in England and Wales is 115, and in France 121. But it is reasonable to expect higher ages, the study says.

UK NEWS DIGEST

Strong pound stifles inflation

Sterling's strength is helping the government towards its inflation target, with figures released yesterday suggesting that price pressures in the UK economy remain subdued. Manufacturers are benefiting from cheaper imports and falls in the cost of oil and electricity. The prices of imported computers, rubber, metals and paper have fallen by between 5 per cent and 15 per cent in the year to March, official figures said yesterday. Most imported foods also fell in price. Today's monthly British Retail Consortium survey, meanwhile, indicates that price increases are being held down in the retail sector.

Analysts said yesterday's figures were a good indication that price inflation remained under control. The latest retail prices index, to be published on Thursday, is expected to show underlying inflation in March dipping below February's rate of 2.9 per cent. Last month, manufacturers' input prices fell by a seasonally-adjusted 0.5 per cent, compared with forecasts of a 0.2 per cent to 0.3 per cent rise. Input prices, including oil and electricity, have been falling for five consecutive months. In the last 12 months they have fallen by 7.6 per cent, the sharpest decline since December 1986.

Factory gate prices also fell in March, by 0.1 per cent. Manufacturing output prices increased by 1.0 per cent in the year to March.

Richard Adams

■ TRANSPORT

Spending on travel higher

People spend 15 per cent of their household spending on transport, twice the amount in the early 1950s, a report from the environmental group Transport 2000 said yesterday. The report, compiled by the Open University and the Local Transport Today publication, found that the amount of time a person spent travelling each week had risen from less than six hours in 1975 to almost seven in 1994. In 1975-76, it said, the proportion of work trips by car was 39 per cent in London and 54 per cent in small urban areas. By the mid 1990s that had increased to 49 per cent for Londoners and 73 per cent for those in small urban areas.

■ TRUCK SALES

Industry still subdued in March

The UK truck market was subdued in March, leaving registrations for the first quarter of the year as a whole 24.8 per cent down, at 9,643, compared with 12,823 in the first quarter of 1996. Manufacturers expressed growing concern at the slowness of the truck market to recover from a winter sales decline caused by the introduction of stricter exhaust emissions standards in October.

But motor industry analyst Professor Garel Rhys, holder of the Society of Motor Manufacturers and Traders chair of motor industry economics at Cardiff University, said at the weekend that the downturn was likely to prove a short-term "aberration". He said: "Underlying economic indicators all point towards growth next year, so the trend line for the truck market is still positive."

Iveco-Ford, which is soon to close its only UK production facility, saw its registrations particularly badly hit last month, falling by more than one third from 1,458 a year earlier. The heavy truck sector, for vehicles of more than 15 tonnes, was 25 per cent down in March – with Iveco-Ford and Mercedes-Benz recording falls of more than 40 per cent.

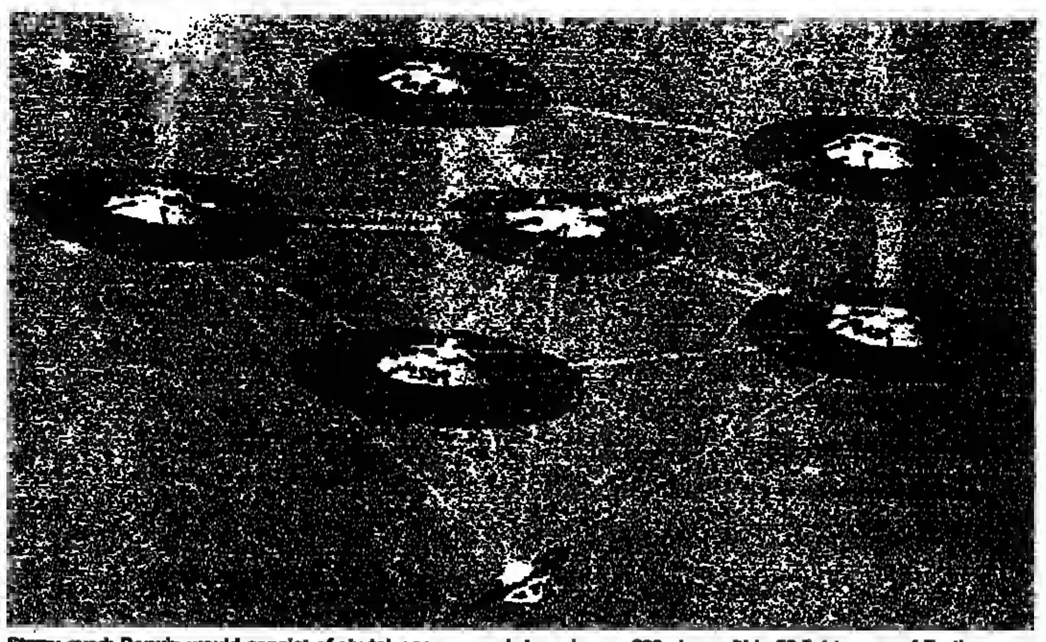
John Griffiths

Convoy Breaks Formation, Page 15

Truck registrations Jan-Mar 1997

	Volume	Volume Change (%)	Share (%) Jan-Mar 97	Share (%) Jan-Mar 96
Trucks (over 3.5 tonnes)				
Total	[illegible]	[illegible]	100.0	100.0
Imports	[illegible]	[illegible]	[illegible]	[illegible]
Leyland Daf (Daf Trucks)	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TECHNOLOGY



Starry-eyed: Darwin would consist of six telescopes, each focusing on 300 stars within 50 light-years of Earth

Spacial awareness

Astronomers are focusing on telescopes in space in their search for planets, writes **Bruce Dorminey**

Eighteen months after the revelation that a Jupiter-like planet orbits 51 Peg, a solar-type star some 40 light years away, astronomers are arguing over how best to conduct such planetary searches from space.

Ground-based telescopes have typically tracked minute patterns in a star's movements, or its perturbed radial velocity, to find the unmistakable gravitational pull of a nearby massive planet. But early this month, the European Space Agency began studies for the Darwin Space Infrared Interferometer, a big space telescope capable of directly detecting planets the size of Earth. Darwin's advocates hope the agency will award them an estimated $650m (£401.2m) budget before 2000, enabling a launch in 2015.

Forty times bigger than the Hubble space telescope, Darwin would comprise six 1.5m telescopes, each focusing on 300 solar-type stars within 50 light-years of Earth.

Mounted on a rigid platform or on individual spacecraft in a radar-linked free-flying flotilla, Darwin's infrared observations would begin beyond the asteroid belt, when it would emerge from an Ariane 5 rocket.

From there, Darwin's individual telescopes could manoeuvre separately to within a few millimetres, combining their images interferometrically – a complex process which gives a focus that would be accurate to within a few microns and with a resolution equal to that of a 100m telescope. Much of the data the telescope received would be analysed on board, although Darwin would maintain continuous radio contact with ground controllers.

The first year would be spent surveying stars, before three years of spectroscopic detective work – visual analysis of a light spectrum to determine and interpret chemical composition – on any planets it found.

Darwin's primary competitor for the funds comes in a proposal for a Global Astrometric Interferometer for Astrophysics (Gaia*). From a geostationary Earth orbit, Gaia would survey 50m stars, fixing their exact motions and parallaxes, while using indirect astrometric detection to search for large Jupiter-class planets. But it is unlikely Gaia could detect Earth-mass planets, advocates admit, nor could it do spectroscopy.

"We're going to search for all types of planets," says Alan Penoy, an astronomer at the UK's Rutherford Appleton Laboratory in Oxfordshire, and a member of Darwin's scientific advisory group. "If we find some in the habitable zone we will look for an atmosphere. If they have carbon dioxide, we'll then look for water and ozone. Ozone [a molecule of three oxygen atoms] is a good infrared absorber and easy to detect."

Using spectroscopy, a smooth curved arc of a spectral line would indicate no atmosphere, but the line would oscillate to denote water, ozone or carbon dioxide. Large amounts of water would indicate Earth-like oceans, while significant quantities of ozone could be produced only from large amounts of oxygen. This combination is an almost certain sign of aerobic life forms.

Present planet searches cover about 100 stars, although only a dozen systems have been found to have Jupiter-like planets. And many of those planets are too near their host stars to permit Earth-like planets to survive if the bigger mass planets spiralled in from an outer orbit.

Jupiter-mass planets are needed at an average distance of 5au (five earth-sun distances) from the host star to "sweep out" with their gravitational pull small bodies of ice and rock, known as planetesimals, left over from the planetary system's formation. Otherwise, the planetesimals would pound the inner planets almost continuously, impeding the Earth-mass planets' ability to create an atmosphere capable of spawning life.

Ground searches using indirect detection will improve, but Earth-bound observatories will never find Earth-mass planets because of their limited gravitational effect on the host star.

Darwin's direct infrared detection, however, should be sensitive enough to find these smaller bodies, partly because space-based infrared observation cuts star-planet contrast from a factor of a billion to a million.

"You've got a very bright star and a very dim planet so you have to reject that starlight," says Penny. "That is done through nulling [or negative] interferometry, leaving light from the planet or planets with the ability to come through. You take a picture now and then two months later and if your point of light is moving around then that is a planet and not a star."

Darwin would then hope to collect enough of the planet's photons to enable infrared spectroscopy of the sort necessary to identify gaseous signatures in an atmosphere light years away.

"The important question is whether the atmosphere shows evidence for both oxidising and reducing chemistry," says Michael Mumma, chief scientist for planetary research at Nasa's Goddard Space Flight Centre in Maryland. "Still, if we detect an atmosphere at all, it would be very interesting."

Nasa is studying a proposal for a terrestrial planet finder with a possible launch in about 2010. Its present design calls for technology similar to that of Darwin. But the planet finder's ultimate design, orbit and funding have yet to be determined.

Darwin's own challenge is to lower the cost of its technology, while making the telescope light and durable. Of its two design alternatives, a rigid structural mode is the cheapest, the most foolproof and the easiest to make, but also the least capable.

A second article on the Gaia project will appear shortly.

Update · The MiniDisc

Audio format finally has it taped

THEN: The MiniDisc was launched by Sony in 1992 as the replacement for the analogue compact cassette, which the company believed was nearing the end of its life-cycle.

MiniDisc looked like a smaller version of the compact disc and offered the added facilities of recordability and greater portability. Compared to the analogue cassette, MiniDisc offered the advantages of instant track access and better sound quality. From the launch of the format, however, Sony conceded that MiniDisc sound quality was inferior to that of the compact disc.

NOW: Five years on, although sales are still generally modest outside Japan, MiniDisc is undergoing something of a rebirth.

The format failed to generate significant sales first time round because of several factors. Although intended as a replacement for the cassette, tha fact that it was a digital disc format confused the pnblic, many of whom believed it was designed to succeed the compact disc.

MiniDisc also had the digital compact cassette to contend with. The digital compact cassette was launched by Philips in 1991 as its replacement for the analogue cassette. It, too, was a digital format, hut tape- rather than disc-based.

Unlike MiniDisc, the digital compact cassette offered "backwards compatibility" with existing cassettes – meaning that tape decks designed for the new cassette would also play old-style analogue compact cassettes. MiniDisc players, on the other hand, would play only MiniDiscs.

Confused about which format to hny, the pnblic largely ignored both.

The lack of software did not help either. In the first couple of years, there were very few pre-recorded MiniDisc titles available. Even today, there are only abont 1,000 pre-recorded discs, and they are not widely stocked hy music retailers.

MiniDisc's rebirth owes mnch to its versatility and to improvements in both design and sound quality. The commercial failure of the digital cassette as a mass-market format has done it no harm either.

Although keen-eared listeners will still detect a difference between a compact disc and a MiniDisc recording, the two are much closer than five years ago.

In addition, MiniDisc players have benefited from the miniaturisation skills of their Japanese designers. Sony's latest playhack-only MiniDisc player weighs just 76g and is little bigger than a business-card holder, which makes it ideal as a portable format.

The miniaturisation of the players is possible because of the size of the disc itself. To sqneeze np to 74 minntes of audio on to a disc just 64mm in diameter, a system of data compression, Adaptive Transform Acoustic Coding, is used. This ignores quiet sonnds which are masked by londer ones at adjacent frequencies. The system rednces the amount of data recorded on to a MiniDisc hy a factor of five.

The format also has some other neat tricks. If you record a CD on to MiniDisc, for example, and then decide yon do not like tracks two, six and eight, you can simply delete them. The remaining tracks then shuffle up to leave a hlock of free space at the end of the recordiog.

The free space is in fact scattered throughout the disc, bot this is not appareot to the listener.

MiniDisc also has capabilities beyond mnsic recording aod playback. Sony sells a MiniDisc data drive for computer storage, offering 140MB of storage capacity – 100 times the capacity of a typical computer floppy disk. Since the format is re-recordable, the information it holds can be erased and over-written – up to 1m times, according to Sharp, the Japanese company which makes MiniDisc hardware.

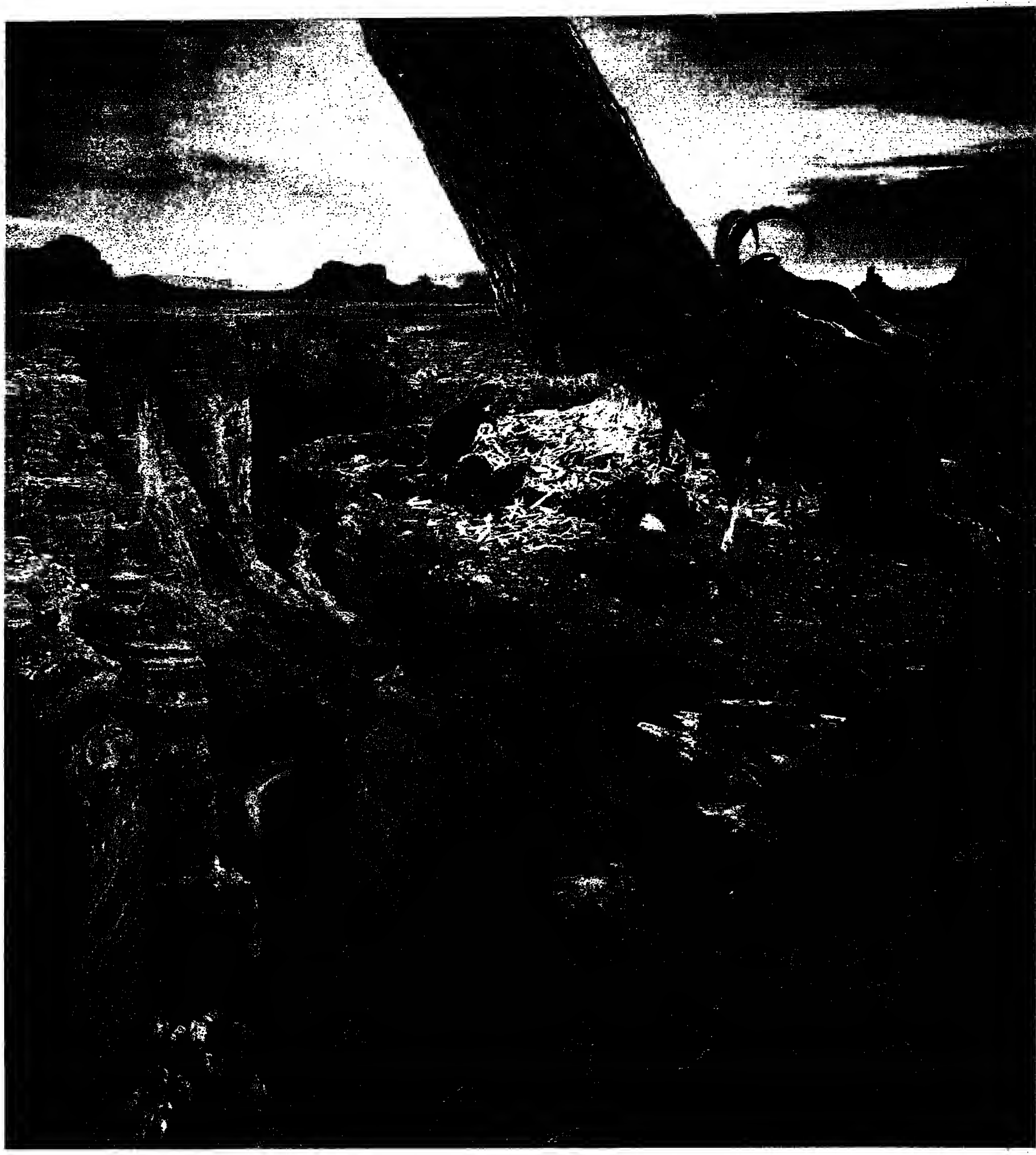
Sharp itself has recently released the MD-PS1 MioiDisc digital camera in Japan. This can store np to 2,000 high-resolntion still pictures on a single MiniDisc.

The success that MiniDisc is now enjoying in Japan, where, according to Sony, the format accounted for 60 per cent of all hi-fi sales by valne in 1996, has encouraged more manufacturers to release a wider range of MiniDisc players in Europe.

The format can now be found in portable players, hi-fi separates, mini and micro hi-fi systems and in-car units.

In Europe, a big marketing push this year shonld help estahlish the format second time around.

David Murphy



Just like the real thing

Duane Hanson's sculpture is disconcertingly life-like. But is it Art? **William Packer** reports

The waxwork, as purportedly an exact representation of the human reality, is hardly new, the stuff of fairs and sideshows ever since Madame Tussaud first startled the Parisian public at the time of the Revolution. The art of it, so far as it went (or indeed still goes), lay only in the achievement of the model in its quality of likeness, the test of it being that momentary frisson of uncertainty, when the simulacrum is taken for the reality.

The works of Duane Hanson, the American super-realist sculptor who died last year at the age of 71, are not waxworks as such, but the effort and immediate intention, and certainly the effect, would seem much the same, for his was a very literal approach. Apropos his "Rita the Waitress", ha declared "great empathy" for waiters in general. "It is a stressful job and I tried to show the weariness . . . that one endures in a job of that kind."

His figures in fact are cast in fibreglass or bronze from moulds taken directly from the living model. But they are invested with real hair and real clothes, and their complexions worked up to mirror an all too frail *mortality, pimples*, sunburn, warts and all. So life-like are they, so ordinary, so normal, that it is if anything their preternatural stillness, that makes us jump.

The Saatchi Collection has 15 of these somewhat disconcerting works, most of them single figures but with one or two pairs – a couple of tourists; a mother with her child in a push-chair; an elderly couple resting on a bench. Together they amount to a fair retrospective of the work on which Hanson's reputation now entirely rests, covering the years from the early 1970s almost up to the time of his death. It is, surprisingly, the first opportunity we have bad in this country of making any such general assessment. That it should be a private collector who makes it possible is, perhaps, all the more remarkable.

Hanson had turned to casting from life only in the late 1960s, in a period when his work still carried a strong socio-political message. But it was the shift, within a year or two, across to the opposite extreme of an ambiguous, enigmatic realism, that properly made his international name. And having thus come to his imagery and his means of expressing it, he stuck to them. It is a very sensible and professional thing to do. Americans call it breaking through into style.

If there is any further development in this later work, which is all we have at Saatchi, it is only in its technical variety and sophistication – the use of real hair rather than wigs; a softer vinyl medium replacing the hard polyester resin; the commitment to painted bronze.

Hanson clearly had a wicked eye for an archetype, and yet also the happy knack of investing it with a most particular individuality. His figures are never generalisations, quite, and never *satires*, but only examples, and very American examples at that. Yet their universality in terms of experience is manifest. Have we not all seen that self-same holiday-maker, baseball-capped and brightly-shirted, who sleeps among his bags on the concourse floor, waiting for the charter flight that is never called? And surely that jogger, slim, bespectacled and balding who now ruefully inspects his feet, ran past us only a moment or two ago. And London is full of just such tourists, with their bags and cameras and big bottoms, Bermuda shorts and track-snit trousers, tiring now and just a *little* bored at all the sight-seeing. Here they all are: the old lady with her carrier-bags; and the plump young shopper, her arms full; the tired waitress; the sunbather asleep on her deck-chair; the keen photographer ever kneeling at the ready; the delivery-man resting on *his trolley*.

These tableaux all work very well, at least as tableaux, the more so for being so well and wittily scattered about the gallery, the sunbather in her pool of light, the happy-snapper at the top of the *steps*, the stall-holder in the flea market at the end of the day, flicking through a magazine, surrounded by junk. They merge so readily, become part of the crowd. Is that really a security guard, or is be, well, just a security guard?

The real question remains. Is he, is it, Art? And if it is, where does that leave Princess Diana or Bobby *Charlton* at Madame Tussaud's, or the sleeping, breathing Venus I saw the other day in Brussels at the Paul Delvaux exhibition?

And if indeed it is Art, it is because Hanson assumed it to be so, never doubting that it was not. "First of all, and above all, I am a sculptor. My most important concern is to get all the forms to look right." And we in turn take him at his word. Rather more than just the fun of the fair, we expect of his work the experience of Art, complete with all the critical baggage that goes with it. We talk about it, we question its status, we think of it and respond to it as though it were Art, and to that extent we bave only ourselves to blame. It is we ourselves as much as anyone who make it Art, and Art of the purest Conceptual kind. It is, as ever, the thought that counts.

Duane Hanson: The Saatchi Gallery, 98a Boundary Road NW8, until the end of July: open weekly Thursday to Sunday.

A wicked eye for an archetype: 'Sunbather with Black Bikini', 1989 by Duane Hanson

Theatre/**Sam Albasini**

A passionate downfall

Watching this Bridewell Theatre prodnction of *Antony ond Cleopatra*, one is reminded once again of what a difficult and seemingly contrary play it is. We are taught to think of it as a classic love story and of the two main protagonists as paragons and exemplars of the greatness of their age. However, in reality there is more to loathe than to love in their characters. Mnch of their behaviour is at best erratic and at worst cruel in the extreme. One could say that the tragic flaw they share is wilfulness, an abandonment to impulse and instinct in the face of the promptings of reason and dnty, but this only goes some way to reconcile us to their natures. One wonders what parallel or parable Shakespeare meant ns to draw from their actions, or whether we are merely meant to wonder at the scale of their passions and the enormity of the consequences of those passions.

The director Carol Metcalfe has chosen to set the play in a notional second world war setting which casts Mark Antony as a desert rat in khaki breeches. As is often the case when Shakespeare is set in a particular period this device poses more problems than it solves. Is Octavius Caesar Hitler and are we really meant to have *Rommel* as a hero?

The set, however, is very much in harmony with the play. Its motifs of interacting triangles and pyramids not only provide a gorgeous setting but also echo the metaphorical triangles of the plot: the *triumvirate of Caesar*, Antony and Lepidus and the shifting love triangles of the many protagonists. The lighting too, is excellent with the tawny oranges, aqnamarines, golds and vivid pinks complementing the moods and colours of the set. The scale and complexity of the plot is never less than clear, even though the 43 characters in the play are played by a cast of only eight.

At times the period setting does pay off. Spurned Octavia appears as "the politician's wife", complete with white gloves, which helps us to understand and even emphasise with her otherwise baffling loyalty. Gny Burgess's rough and ready Mussolini-like Pompey and his louche Cairo-bazaar Alexas also work well. There is good work too from the young Angus Hubbard, as Octavius Caesar, who gives a nicely rounded portrayal of a fledgling dictator beginning to flex his muscles but still waiting for a smack round the ear from bis elders.

Jonathan Oliver's rendering of Antony as a clipped and swaggering bully-boy, however, does nothing to endear him to us. He is more convincing as a tyrant than as a lover and the dividend of this characterisation is bathos rather than pathos: in the dramatic bloodbath of his death scene many of the audience laughed ont loud.

Alphonsia Emmanuel as Cleopatra was both gorgeous to look at as well as to listen to. Although at times she was more Helen of Troy than Elizabeth I, she grew in majesty in her final scenes. Despite minor quibbles about the interpretation and setting, the Bridewell Theatre Company must be commended for the clarity and colour of its staging of this huge and challenging text.

Antony and Cleopatra is at the Bridewell Theatre until mid-May (0171 936 3456).

Alastair Muir

Growing in majesty: Alphonsia Emmanuel as *Cleopatra with her Antony, Jonathan Oliver*

Theatre and opera in Paris/**David Murray**

Lucid Ibsen, deconstructed Offenbach

After her famons Abbey Theatre production of *Hedda Gabler* four years ago with Fiona Shaw, Deborah Warner has undertaken Ibsen again: this time *Une Maison de poupée* – at the Paris Odéon, now the *soi-disant* "Théâtre de l'Europe". It is a great success, but perhaps uot what Warner originally intended. Isabelle Huppert, who was to play Nora, had to withdraw, and the role has gona to a very different actress, Dominique Blanc (whom you may remember from Louis Malle's *Milou en Mai*).

That makes a difference, for Warner develops her productions from her casts. Though Blanc's Nora is clever and affecting, she is irrepressibly *gaminc*: if her bland, blinkered husband Torvald wants to put her through silly hoops to show her off to his friends, nothing could be more natural for her.

Warner declares in the programme-book that *A Doll's House* is no Shavian feminist manifesto, but a study of the problems of any marriage. Its once-shocking conclusion is not a great bid by Nora for independence and freedom, but a heart-shock for her and Torvald alike. Torvald is not guyed here; Andrzej Seweryn makes him a decent, elegant chap, if a bit fussy and verbose, and besottedly in love with his wife. Indeed, his fatally pompous outburst toward the end, when he learns that Nora has paid for the curative holiday he needed by forging her father's signature, seems nothing more than a brief, knee-jerk moral tantrum.

We expect this Nora to put up with it in her usual forgiving spirit (she has had lots of practice, after all), and the shock is that she takes it so tragically to heart. Their *household, beautifully* designed by Hildegard Bechtler, is no stuffy domestic prison but an spare, airy Norwegian bome; we see through to an internal courtyard, in which snow falls prettily throughout a whole act.

Given its special dramatic terms, the production is lucid, awift and gripping. The other three principals – Nora's old schoolfriend Kristine, down on her luck but sweetly dignified (Christine Gagnieux); poor old Doctor Rank (Maurice Bènichou); the "villain" Krogstad, who is here just an understandably desperate man (André Wilms) – *are played in depth*, with meticulous sympathy.

At the Comédie-Française one can see Offenbach's *La Vie parisienna*, but only through a glass darkly. Hardly a ray of comedy penetrates Daniel Mesguich's production, which is rather a "deconstruction" of the Meilhac & Halèvy farce. We are duly warned by his printed synopsis, which introduces each act with the menacing words, "La scène se passe dans un théâtre . . ."

This is Offenbach's *opéra-bouffe* – composed for actors of the Palais Royal – about two young sparks, Gardefeu and Bobinet, who enlist their *demi-monde* friends in staging a slice of chic Parisian life to dupe a visiting Swedish baron, the better to seduce his wife; but *no* scene "se passe dans un théâtre". In the programme-book Mesguich pleads *his horror of routine laughs and* his preference for raw surprises, the traditional licence to re-write comic scenes, and like Offenbach himself to cast actors, not proper singers, to deliver the musical numbers.

Offenbacb's actors *must* have had better voices than this unconfident crew. Mesguich's re-writing goes the length of throttling the *story* – and therewith any theatrical thrust – with interminable sub-Stoppard fantasies around Meilhac and Halévy's simple puns, and suchlike undergraduate japery. As for the strenuous, elaborate physical comedy, avowedly inspired by Louis de Funès and Monty Python among others . . .

Well: many years ago I saw de Funès in a forgettable play, giving a frantic, chest-achingly funny series of ever more desperate turns. I shall never forget it. Here Thierry Hancisse's Gardefeu does a *virtuoso* copy of his maddened style, with such preening self-satisfaction as to kill any laugh; it positively invited hisses. At the interval, halfway through a three-hour performance (unconscionably long), scores of people slipped away. So did I.

Une Maison de poupée at the Odéon till May 11; *La Vie parisienne* in repertory at the Comédie-Française.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT

Concertgebouw Tel: 31-20-6718345

● Schönberg Ensemble: performs works by Schumann, Berg, Schoenberg, Webern, Kagel and Kurtág; Apr 17

■ BERLIN

CONCERT

Konzerthaus Berlin Tel: 49-30-203090

● Berliner Sinfonie-orchester: with conductor Michael Shonwandt, pianist Vardan Mamikonian, soprano Françoise Pollet and bass Aage Haugland performs works by Shostakovich and Tchaikovsky; Apr 17, 18

■ BOSTON

EXHIBITION

Museum of Fine Arts Tel: 1-617-267-9300

● Tales From the Land of Dragons: 1000 Years of Chinese Painting: display of 153 rare and ancient paintings from the Tang, Song and Yuan dynasties, including early Buddhist and Daoist religious pieces, many of which have never before been exhibited in public. As well as paintings the exhibition also includes a number of jades, bronzes, ceramics, lacquers, silver and calligraphy from the period; to Jul 20

■ COPENHAGEN

OPERA

Det Kongelige Teater - The Royal Theatre Tel: 45-33 69 69 69

● Don Giovanni: by Mozart. Conducted by Andrew Greenwood, performed by the Danish National Opera. Soloists include Per Hoyer, John Laursen and Gitte-Maria Sjöberg; Apr 16

■ LONDON

CONCERT

Royal Festival Hall Tel: 44-171-9604242

● BBC Symphony Orchestra: with conductmr Jiri Belohlavek, soprano Janice Watson, mezzo-soprano Sarah Connolly, tenor Barry Banks and bass Andrew Greenan performs works by Lubos Fiser, Haydn and Schubert: Apr 17

EXHIBITION

British Museum Tel: 44-171-6361555

● Modern Scandinavian Printmaking: this exhibition featuring 170 prints by 57 artists examines the strong tradition of printmaking in Scandinavian countries over the past 100 years. Artists represented include Anders Zorn, Edvard Munch, Asger Jorn and Rolf Nesch; to Apr 20

National Portrait Gallery Tel: 44-171-3060055

● Ignatius Sancho (1729-1780): exhibition examining the remarkable life of Sancho, who was born a slave yet died a well-known and respected figure in London's literary, artistic and musical circles. The exhibition also places Sancho within the wider context of the black presence in the late 1800s; tn May 11

■ LUXEMBOURG

EXHIBITION

Musée National d'Histoire et d'Art Tel: 352-4793301

● Cecil Beatnn. Portraits d'un esthète de Marlene Dietrich à Mick Jagger: display of 160 original prints by the photographer whose portrait work was nften occupied by fashion, style, beauty and glamour. Subjects includa Marlene Dietrich and Greta Garbo; to May 11

■ MADRID

CONCERT

Auditorio Nacional de Música Tel: 34-1-3370100

● Philharmonia Orchestra: with conductor Vladimir Ashkenazy, performs works by Messiaen, Honegger, Ravel and Roussel; Apr 17

■ MUNICH

OPERA

Cuvilliés-Theater – Altes Residenztheater Tel: 49-89-296836

● Madame Butterfly: by Puccini. Conducted by Josef Märkl and performed by the Bayerische Staatsoper. Soloists include Elena Filipova, Anna Salvan and Irmgard Vilmaier; Apr 18

■ NANTES

EXHIBITION

Musée des Beaux-Arts de Nantes Tel: 33-40 47 65 65

● Sarkis: display nf 18 watercolours by tha Turkish artist painted especially for this exhibition, examining relations between light and space within the museum's patio display area; to May 20

■ NEW YORK

EXHIBITION

Museum of the City nf New York Tel: 1-212-534-1672

● A Dream Wall Planned: The Empire State Building: display paying tribute to the building featuring photographs, drawings, models and memorabilia; from Apr 16 to Dec 7

The Metropolitan Museum nf Art Tel: 1-212-879-5500

● Domenico Tiepolo: Drawings, Prints and Paintings in the Metropolitan Museum of Art: the son and collaborator of Giambattista Tiapolo, Domenico Tiepolo was a gifted artist in his own right and one of the most appealing draughtsmen of tha 18th century. This exhibition features the work of Domenico Tiepolo in the Museum's collection, which includes one of tha largest concentrations of his drawings in the world; to Apr 27

■ PARIS

CONCERT

Théâtre du Châtelet Tel: 33-1 42 33 00 00

● Staatskapella Berlin: with conductor Daniel Barenboim performs works by Schubert, Wagner and Schoenberg; Apr 18

EXHIBITION

Galerie Colbert Tel: 33-1-47 03 81 26

● Pascin gravé la nuit: the first retrospective of work by the Frenchman who began his artistic career as a newspaper illustrator. On display are about 100 works, including prints, engravings and illustrations with an additional display of works by contemporaries and associates, including Laborde and Grosz; to Jun 14

■ ROME

CONCERT

Accademia Nazinnale di Santa Cecilia Tel: 39-6-3611064

● Orchestra dell'Academia di Santa Cecilia: with conductor Christian Thielemann and pianist Lars Vogt performs works by Schumann and Beethoven; Apr 19, 20, 21, 22

■ VIENNA

EXHIBITION

Graphische Sammlung Albertina Tel: 43-1-534830

● Barnett Newmann – Druckgraphik: this exhibition – the first in Austria to be devoted to the American artist – features the complete graphic oeuvre of Barnett Newman (1905-1970), founder nf tha New York School of Abstract Expressionism. Like his paintings, Newman's graphic work, created in the 1960s, is characterised by monochrome colour fields and vertical stripes; to Apr 20

OPERA

Wiener Staatsoper Tel: 43-1-514442960

● La Traviata: by Verdi. Conducted by Latham-König and performed by the Wiener Staatsoper. Soloists include Gustafson, Serdar and Geister, Apr 18

■ WASHINGTON

EXHIBITION

National Gallery of Art Tel: 1-202-7374215

● Six Centuries/Six Artists: this exhibition highlights a number of tha major artists in the gallery's graphic collections from the 15th through to the 20th centuries. The artists featured in the exhibition are Martin Schongauer, Albrecht Dürer, Giovanni Benedetto Castiglione, François Boucher, William Blaka and Jacques Villon; to May 4

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17.30
Financial Times Business Tonight

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08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Martin Wolf

An overheated economy

Failure to tighten fiscal policy and raise interest rates in the UK soon could necessitate a sharper slowdown later on, as happened in the early 1990s

Dear chancellor-to-be,

Sterling has jumped above the lower limit of its old band in the European Exchange Rate Mechanism to DM2.80. From its trough in June 1995, the pound has appreciated 28 per ceot against the D-Mark. This may sound like good news. It will, instead, make your life more difficult.

Sadly, the UK is re-running the experience of tbe second half of the 1980s, when excessive growth of demand led to a rise in inflation followed hy a deep recession. The outcome should not be as painful as it was then, provided action is taken promptly. It could be painful, all the same.

Consider the following omens:

- Broad money up 11.3 per cent in the year to February, the fastest rate of expansion in the group of seveo leading industrial countries.
- A public sector borrowing requirement of 3.2 per cent of gross domestic product in 1996-97, the fifth year of recovery.
- Retail sales volume up 4.4 per cent in the year to the end of February and real consumers' expenditure up 4 per cent in the year to the fourth quarter of 1996.
- £20bn-£25hn to he paid out by demutualising building societies and insurance companies this year, equal to 4 per cent to 5 per cent of consumers' expenditure.
- A decline in unemploymeot of 466,000 over the year to February, to 6.2 per cent of tbe labour force, vacancies 43 per cent above tbeir long-term trend and earnings rising at an underlying rate of 5 per cent a year, up from a trough of 3¼ per cent 18 months ago.
- House prices rising 7 per cent over the year to March 1997 – but faster in parts of London, hellwether of the national market.

Tbese are classic symptoms of an old-fashioned pre-election boom. The Bank of England's long-held view that they are also inconsistent with achieving the inflation target of 2.5 per cent a year, or less, over the medium term is almost certainly correct. This may not yet be obvious. But that is because of what has happened to the exchange rate.

The exchange rate appreciatioo – 19 per cent in real terms between April 1995 and February 1997, according to J.P. Morgan – has starllised the impact on inflation. The prices of manufactured goods, for example, rose by only 1 per cent in the year to March and fell in both February and March. This squeeze has offset the upward creep of inflation in the price of services, from a low of 2.2 per cent in April 1996 to 3.3 per cent in February 1997.

The impact of exchange-rate appreciation on the prices of tradeable goods and services squeezes their profitability and output. The result is an unbalanced expansion. While domestic demand is rising rapidly, output of manufactures rose only 1.8 per cent in the year to February. Over the next year or two, there is likely to be a further deterioration in the relative performance of manufacturing, along with a substantial increase in the trade deficit.

All this is painfully familiar. Under floating exchange rates, the impact of excess demand always falls first on producers of tradeable goods and services. Since these account for, at most, a third of GDP, they are a more politically vulnerable target than people who suffer from higher interest ratea. The latter group includes virtually all businesses as well as electorally potent owner-occupiers. This is why ERM membersbip failed – remaining a member kept interest rates at self-evidently unacceptable levels.

Does this mean that a chancellor concerned about the fate of British industry should make every effort to curb the rise in exchange rates by lowering interest rates? The answer is no.

To understand why the Bank of England has been right to call for higher interest rates, in spite of sterling's appreciation, it is necessary to ask wby the exchange rate bas risen. There are three possible reasons: buoyant domeatic demand; supply sbocks; and inexplicable movements in the markets, under the generic label of shifts in portfolio demand.

Consider the effects of buoyant domestic demand. Anticlpating tbat the aothorities will introduce higher interest rates, markets have hid up sterling. According to the Bank of England, this effect accounts for about a quarter of the appreciation. By lowering the cost of imports, the appreciation reduces the inflationary impact of the surge in demand.

What would happen if the bigher expected lnterest rates did not materialise? investors would presumably conclude that domestic demand will be allowed to grow unsustainahly. This would lead to a re-evaluation of sterling's prospects: it would depreciate, which would, in turn, hring the inflation that markets fear. Under floating rates, the inflationary future tends to come at once.

If domestic demand is the source of the appreciation, as it partly is, policy to curb demand is required. If markets already expect higher interest rates, actual implementation should bring no furtber appreciation. The rise in interest rates necessary would be smaller if the government chose fiscal tightening, instead. But be warned: tighter fiscal policy may not lower the exchange rate, even if it does reduce required short-term interest rates.

The big difficulties arise if appreciations are caused by supply shocks – such as higber oil prices and improvements in productivity and prodnct quality – or shifts in portfolio demand in favour of UK assets. If the exchange rate appreciates for such reasons, domestic economic activity will be lowered. Tba natural response to this adverse shock is to lower interest rates.

In current circumstances, however, it would be best to ignora tbat optlon, for three reasons:

- It is impossible to know whether the upward shift in the exchange rate for these reasons is permanent or highly temporary.
- Short-term effects of shifts in the exchange rate on output are automatically mitigated by the practice of targeting inflation two or so years hence.
- When tbere is an exchange rate movement that is strongly favourable for inflation, as now, inflation itself sbould be expected to run well below its target level.

The last point is decisive. To be symmetrical a policy of allowing inflation to hit its target level, despite a favourable shock, entails a future policy of preventing it from exceeding that target when there is an unfavourable shock. But such a policy would not be credible, from which it followa that achievement of the target over the long run would also not be credible. The policy would also be undesirable: it is sensible to accommodata unfavourable shocks to the inflation rate in the short term; for that reason, it is also desirable to exploit favourable shocks.

The present requirement is clear. Achievement of the inflation target is not secure, despite the favourahle exchange-rate shock. Moreover, one reason for the appreciation ls an unsustainahle surge in domestic demand. Takeo together these facts strongly argue for tighter policy.

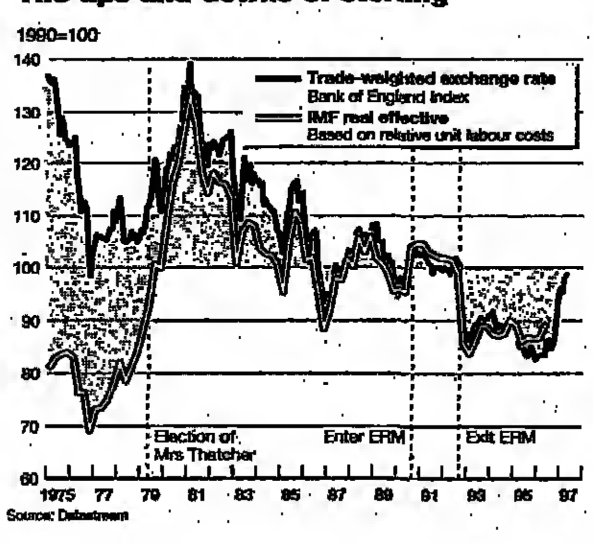
ldeally, you should implement a significant fiscal tightening. If you shirk that, there will have to be higher interest rates. Elther, or both, would be deeply unpopular. But the alternative could be another painful recession three or four years from now.

Those who fail to learn from mistakes are condemned to repeat them.

Yours sincerely,

Martin Wolf

The ups and downs of sterling



Source: Datastream

Technology · Dinah Greek

Flight of fantasy

Tiny flying machines no bigger than a large cockroach could soon help in saving lives

Fans of the *X-Files*, in which agents Scully and Mulder investigate hizarre events, may remember the episode about man-made killer cockroaches. When it comes to artificial insects, however, the truth is out there, as Mulder would say – and closer than you might think.

A group of scientists and engineers in the US is investigating the building of micromachines no bigger than a large cockroach. Less than 100 grams in weight and no more than 150mm in length or width, they will be able to crawl, fly and hover.

Fortunately, these are not miniature murder weapons, but are intended to save lives through a variety of applications such as destroying landmines, reconnaissance missions and urban warfare. No auch flying autonomous vehicles exist, except on tha drawing board, but they will soon.

"I expect we will be able to have completely autonomous micro air vehicles within the next two to five years at the latest," says Mr Sam Blankenship of Georgia Tecb Researcb Institute, who has been looking at the feasihility of building such vehicles since 1994.

Mr Blankenship is co-ordinator of a micro air vehicle programme sponsored by the US Defense Advanced Research Projects Agency. The agency is expected to spend about $20m over three years on the research and hopes to run field trials of successful projects.

So far, its laboratories have indicated the technology is feasible. Computer simulations suggest micro air vehicles can he built capable of carrying up to 18 grams and flying at speeds of between 30km and 65km an hour with a range of 1km to 10km.

They will be "intelligent" vehicles which fly autonomously, without guidance from buman controllers.

"They could fly into damaged huildings to search for survivors, monitor hostage situations or fly on to battlefields to detect chemicals, snipers or enemy positions," says Mr Blankenship. "Potential uses are still under evaluation."

Researchers believe the aerodynamic principles governing aircraft with a 150mm wingspan may be different from those that have guided conventional aircraft design since tbe Wrigbt brothers' historic first flight in 1903.

"Traditional aircraft desigus mode smaller and smaller ultimately won't work," says Mr Blankenship. He believes designers must also look at birds and insects for information about flight on a scale this small.

"We have had designs whicb look like miniature flying saucers, those with fixed wings, but we have also bad designs baaed on insects and with flapping wings."

Professor Robert Michelson of the aerospace and transportation laboratory at the Georgia Tech Research Institute is looking at this theory and has plans for a micro air vehicle based on insect flight.

Mr Michelson's ideas are definitely *X-Files* material. He is developing what he calls an entomopter – basically a mechanical insect which, he says, looks rather like a large cockroach. For use in huildings rather than out of doors, it would have flapping wings and retractable legs, making it versatila and manoeuvrable.

Mr Michelson envisages that it would be able to crawl up ducts, fly and, where necessary, drop to the floor to scuttle unnoticed along skirting boards, underneath doors and into corners.

His idea for powering its flight would be based on "chemical muscles" which would provide the reciprocating motion needed for entomopter flight. Mr Michelson has built a prototype and now plans to reduce its dimensions to microsize.

For information gathering, many of these micromachines could use miniaturised versions of sophisticated sensors. Already some chemical sensors can detect humans and determine whether they are alive. A microflyer fitted with such a sensor would be invaluable to rescue services.

Other ideas includa transmitting television pictures or using microcameras or video recorders. But Mr Michelson says sending pictures back in real time is initially unlikely for tha same reasons that radio or remote control would not work – because the antenna would be too small and the signal too weak.

Tbe researchers admit they are not sure what the final result of their work will be. They are still prepared for surprises.

"We believe autonomous flight will be the most difficult challenge, hut nobody has ventured into this realm before," says Mr Blankenship.

The author writes for Professional Engineering magazine


Institut für Mikrotechnik Mainz, Germany

Peanut scale: the world's smallest helicopter, the motors of which might be used in micromachine developments

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Privatisation true test of benefit

From Mr David Sawers.

Sir, The concern of the Chambers of Commerce about the quality of London's transport system shows there should be no difficulty in finding the funds needed to improve it (Letters, April 10).

If companies in the tourist industry everywhere in the UK, as well as businesses and landlords in London, believe that they lose financially if the capital's transport system is in poor condition, many companies must have a motive to finance improvements to the system.

The solntion to the problem of improving London's transport network could therefore lie in the hands of the Chambers of Commerce: their interested members are an obvious source of the funds that London Underground wants to finance improvements. Such a method of finance could more easily be introduced if London Underground were privatised and freed from the Treasury's control over its expenditure.

The strongest argument for privatising the company is that those who wish to see more spent on the system would be free to provide the money. Privatisation would also mean interested businesses could become sharebolders in the company and help to manage as well as finance it.

Such a method of financing London's transport would be equitable and efficient: those who benefited would pay, and the amount they paid would be related to the benefits they expected the investment to produce.

But the system would also imply that if the financiers thought the benefits were too small to justify the investment it would not take place. Investment in the system would not be unconstrained: bnt the constraint should be the expected benefit, not the state of the government's borrowing.

David Sawers,
'Croshy',
10 Seaview Avenue,
Angmering-on-Sea,
Littlehampton,
West Sussex, UK

Berlin epicentre of Germany's future

From Ms Janet Dorn.

Sir, Although I usually find the Germany pieces in the Financial Times to be well written and well-informed, your article "Bonn offers good home to watchdog" (April 14) causes me to be somewhat more cautious about my enthusiasm.

As an American living in Berlin, the last thing I want to do is get involved in the inner-German debate as to whether Bonn or Berlin would by a "better" capital. In fact, while the debate goes on in German homes, on the streets, and elsewhere, the debate has long been settled in the German parliament. You might want to inform Mr Atkins that Berlin is oow the capital of Germany.

The tone of his reporting leads me to believe that he has met some pro-Bonn supporters who not only convinced him that Bonn is the only stable bastion of German democracy, hut who have also used his journalistic connections to maka yet another case for some important international institution to locate in – or relocate to – Bonn.

As an outsider to the debate, it seems to me that the pro-Bonners are not considering heavy, historical implications or Germany's international standing nearly as much as they would like others to believe. Instead, they are just plain worried about the jobs and money that capital status brings to a city – and that loss of that status takes away.

Berlin, on the other hand, and in my opinion, appears to be in desperate search of a new historical legitimacy. One need only walk down Unter den Linden to realise that this city is the heir to Germany'a history – good and bad – and the epicentre of Germany's future.

Janet Dorn,
Apostel Paulus Str 27,
10823 Berlin,
Germany

A greener city, if not in a straight line

From Mr Anthony Mayer.

Sir, Brian Walling deplores the lack of trees in the City of London (Letters, April 7). However, if it is true that London may not like Paris concentrate most of its trees and greenery in straight lines along the principal avenues and boulavards, it presents a less formal or glorious emphasis on public facade and is a greener city across a more intimate residential scale, village-like crescents, back gardens, and landscaped squares.

More on the mark is the article of the French newspaper Le Mooda correspondent in the FT saying that European issues agitate ordinary people less than politicians ("Europe dominates only in the minds of politicians", April 7). However, to consider Scottish devolution akin to the French *departments*' assemblies, misses the fact that, contrarily to Scotland (after four centuries within the UK), such *departments* do not retain their own separate local currencies nor does Brittany put local Celtic/Gaelic names on street signs. French cultural centralism prevails across regious like Corsica, the Basque country and other former autonomous entities only relatively recently fully annexed by the nation and Paris.

Anthony Mayer,
308 West 103rd Street,
New York, NY 10025, UK

The value of work

From Mr Falk H. Koenemann.

Sir, I read the letter from Mr Leslie Ford, president of Fine Particle Research Institute Inc. (April 10), with great joy and satisfaction, as an entirely unexpected reinforcement of my own conviction that one does not merely work for money, but for achievement itself.

It appears to me that the idea that mastering a difficult challenge successfully is itself a valuable, if immaterial, reward is entirely obsolete and quaint today.

I have been unemployed for a number of years now. I can live with little money, but what I really miss is the lack of challenge, the lack of opportunity to contribute to some common cause.

Falk H. Koenemann,
Im Johannistal 36,
52064 Aachen,
Germany

Outstanding job done

From Sir Gordon Macwhinnie.

Sir, I refer to the recent article "A racing uncertainty" (March 22) by John Ridding on the Hong Kong Jockey club.

The remark that the three generals we have had in recent years as chief executives were "stiffly starched" and by inference not first class is incorrect and childish, and unworthy of an FT journalist.

I served as a steward while all three generals were in office and all did an outstanding job. I was chairman of the club for part of the time that Major General Watkins (the last of the three) was chief executive, and he is now in the running to be chairman of the Tote Board in the UK.

Gordon Macwhinnie,
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De Ricou,
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COMMENT & ANALYSIS

FINANCIAL TIMES

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Tuesday April 15 1997

Meanwhile, in Ulster

In Northern Ireland, as everywhere else in the UK, people will be electing their members of parliament on May 1. But they have a different set of parties to choose from, and the campaign there is focused on different issues.

The vast majority of Northern Irish voters think of themselves as either unionist (Protestant) or nationalist (Catholic), and would not dream of voting for a candidate from the other community. This means the election is mainly a contest between rival parties within each camp. In the rare cases where a Protestant is replaced by a Catholic, or vice versa, the cause is either a change in constituency boundaries or the fact that one camp unites while the other splits.

In last May's election to the forum set up to accompany the peace process there were gains for the more intransigent forces in both camps – Sinn Féin and the Rev Ian Paisley's Democratic Unionist party. That has been followed by a year of stalemate in the peace talks, devoted mainly to sterile argument about the terms on which Sinn Féin could join them if – an unfulfilled condition – there were a new IRA ceasefire.

Meanwhile the climate throughout the province has been soured by the polarisation which followed last July's confrontation between Orange Order marchers and Catholic residents at Drumcree. Sectarian boycotts have been organised, churches burned, and public funds diverted from community projects to strengthen the security forces. The chances of avoiding another confrontation this summer seem slim. Perhaps the only ray of light is that the business community has expressed its alarm in an unusually clear and public manner.

It is obviously desirable that voters should do the same, especially on the nationalist side where, as the Irish prime minister Mr John Bruton pointed out last week, a vote for Sinn Féin can now only be interpreted as an endorsement of IRA violence. But unhappily, since this is the only election in Northern Ireland still held under a non-proportional system, Sinn Féin may well win two of the 18 Ulster seats even if its overall percentage goes down.

A new IRA ceasefire is still widely expected, after the election if not before. But after all the atrocities of the past year a British government of either party would find it very difficult to bring Sinn Féin into the talks at all quickly. The immediate task of the new Northern Ireland secretary will be to maintain order with the minimum of violence during the marching season. A political solution seems almost as far away as it has ever been.

Banking risks

For many central bankers there is something inherently disturbing about the waning ability of supervisors to keep abreast of fast-changing risks in commercial banking. Mr Alan Greenspan, chairman of the US Federal Reserve, is not among them. Indeed, in a speech at the weekend he appeared to relish the prospect of privatised bank regulation in the 21st century, arguing that the self-interest of market participants often generates better regulation than rules imposed by the authorities.

If Mr Greenspan's readiness to do his successors out of a job seems initially surprising, his thesis deserves a hearing. In essence, he disputes the historical perception of US banking as having been plagued by market failures until the enactment of comprehensive federal regulation earlier this century.

Before the collapse of the Farmers Exchange Bank in Rhode Island in 1809, American banks were lightly regulated and did not fail. Thereafter failures occurred in waves. But historians now argue that these were chiefly the product of macro-economic shocks. In between such shocks, the system was stable.

On the period of "free" banking in the mid-19th century, when restrictions on entry into the system were lifted, scholarship has similarly changed tack. Failure rates and loss rates across states were not only exaggerated by earlier historians; they were so different that it is hard to attribute financial instability at that time to free banking per se.

Mr Greenspan concludes from this that central bankers should take heart, as they place increasing reliance on private market regulation. This is growing in complexity and sophistication. And it can be effective, he argues, provided the government does not interfere.

The strength of his case is that most of the damage in US banking in recent years has indeed stemmed from inept government measures, most notably a badly designed deposit insurance system. Moral hazard, whereby banks engage in more risky behaviour because of the existence of a safety net, was responsible for the savings and loan debacle. It also played a part in the Latin American debt fiasco and the subsequent upset in property lending.

More controversial is the assertion that without public regulation, banking is relatively stable. Yet in Mr Greenspan's favour it must be said that the expansion of derivatives trading, which has been the biggest new worry for banking supervision, has yet to confront central banks with a failure that poses a systemic threat.

Moreover, the problems that have arisen have not been precipitated by the most complex derivative products. They have resulted chiefly from weaknesses in old-fashioned internal control, rather than untried risk management formulae. No central banker can afford to be complacent when technology is undermining the effectiveness of supervision. But in a growing part of banking there is no alternative to reliance on private sector discipline. And on one thing Mr Greenspan is unquestionably right. Moral hazard poses a much greater threat to banking systems than derivatives will ever do.

Prodi's power

Mr Romano Prodi, the Italian prime minister, demonstrated last week his considerable powers of survival. He kept his centre-left government intact, in spite of a rebellion by the Reconstructed Communists over sending Italian troops to Albania. He showed that there was, in effect, no alternative to his coalition, nor to himself as prime minister.

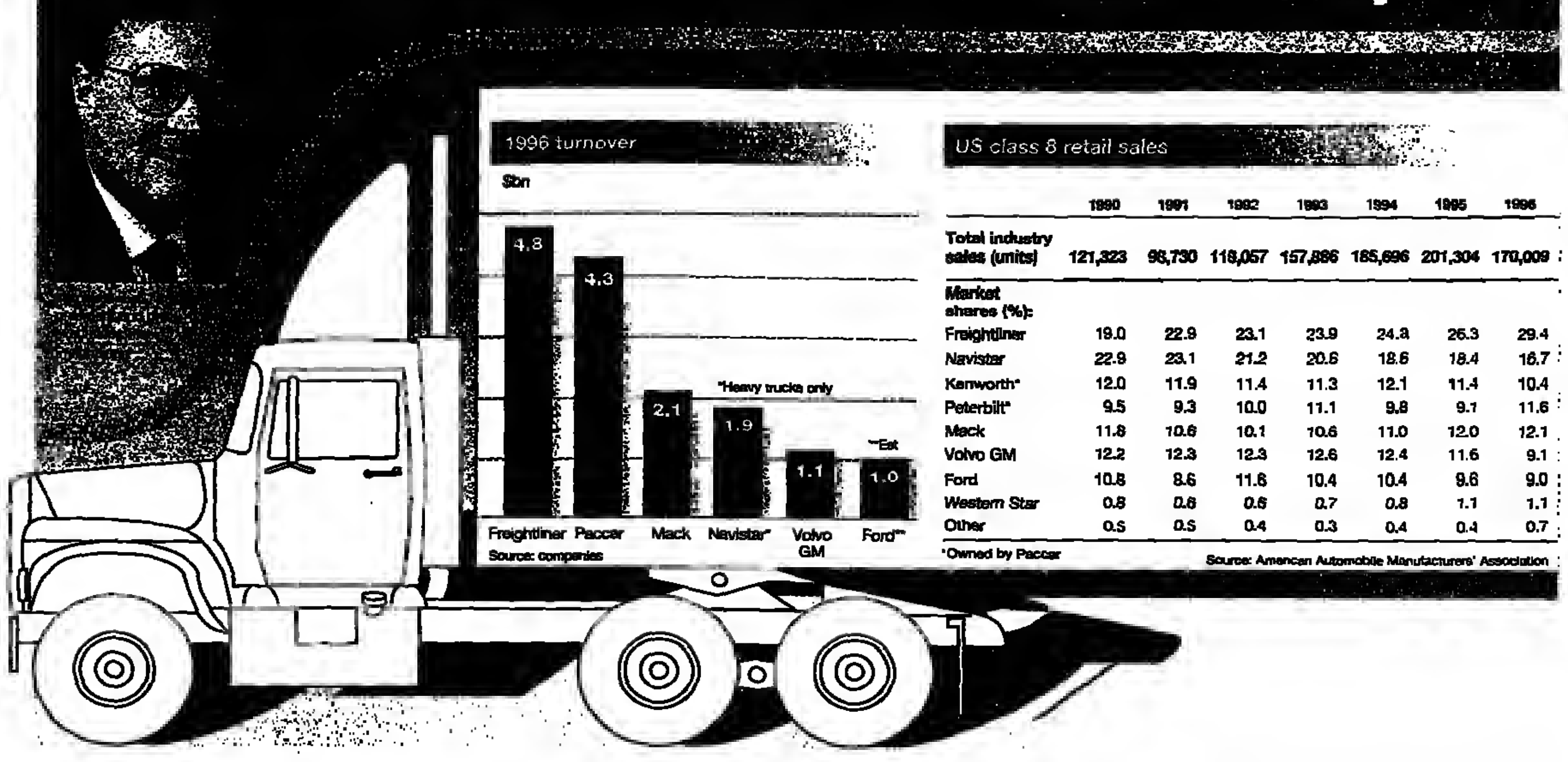
At the head of this disparate alliance, he has achieved more than might have been expected. He has made substantial strides towards bringing Italy's state finances under control, and he has set the country on a course which makes early membership of European economic and monetary union if not likely, at least conceivable. But he will have to do a good deal more to realise that prospect, and extend the life of his government beyond the next few months.

The Albanian episode has been a mixed experience for Italy. The Italian-led intervention amounts to the most important foreign policy initiative by Rome in recent years, and as Mr Prodi argued, a question of national pride. In the event, he was forced to rely on the votes of the opposition to win approval, and then call a confidence debate on his government's programme to hold it together. Like many Italian premiers before him, he had to exploit his weakness to ensure discipline in the government ranks.

Mr Prodi needs to get much tougher with his partners, especially the trade unions and the Communists, if he is to deliver the reforms which are at the heart of his programme. He is attempting to do something no other European government has contemplated: to reduce his budget deficit in one year by 4 per cent of gross domestic product. His task is Herculean.

So far, his 1997 budget, and the follow-up mini-budget presented two weeks ago, have proposed once-off reforms, rather than serious structural changes in spending. He needs to take radical action, like raising the retirement age for state pensions, and cutting entitlements in health and welfare programmes. He must call the bluff of his partners in power. Last week Mr Prodi demonstrated that he was a survivor. Now he needs to show he is a leader.

US truck market: leaders in the convoy at last



US class 8 retail sales

	1990	1991	1992	1993	1994	1995	1996
Total industry sales (units)	121,323	98,730	118,057	157,886	185,696	201,304	170,009
Market shares (%):							
Freightliner	19.0	22.9	23.1	23.9	24.8	26.3	29.4
Navistar	22.9	23.1	21.2	20.6	18.6	18.4	16.7
Kenworth*	12.0	11.9	11.4	11.3	12.1	11.4	10.4
Peterbilt*	9.5	9.3	10.0	11.1	9.8	9.1	11.6
Mack	11.8	10.6	10.1	10.6	11.0	12.0	12.1
Volvo GM	12.2	12.3	12.3	12.6	12.4	11.6	9.1
Ford	10.8	8.6	11.8	10.4	10.4	9.6	9.0
Western Star	0.8	0.8	0.6	0.7	0.8	1.1	1.1
Other	0.5	0.5	0.4	0.3	0.4	0.4	0.7

*Owned by Paccar

Source: American Automobile Manufacturers' Association

Convoy breaks formation

Two US heavy truckmakers have begun to dominate, making a shake-out in the industry more likely, says Haig Simonian

Like a slow-moving convoy, America's six heavy truckmakers have for years travelled together along a road of poor profitability and erratic demand.

Sales of Class 8 trucks of more than 15 tonnes, the legendary "kings of the road", have veered from 148,400 units at the top of the last cycle in 1988 to a trough of 98,700 in 1991 before climbing to a new peak of 201,300 in 1995. Now they are falling sharply again and no one knows when the downturn will end.

Chronically poor profits have hampered investment in more efficient processes, while innovation has not been helped by the arch-conservatism of many hauliers. Such constraints have prevented the best truckmakers from earning more than moderately during the peaks, and made them barely profitable during the troughs. Less productive rivals have scraped along the bottom.

Now however, Freightliner, the subsidiary of Mercedes-Benz of Germany, and Paccar have pulled away decisively from the pack. So wide has the gap in market share and earnings become that analysts are saying the long-expected shake-out is nigh in the sector, which recorded sales of more than $15bn (£9bn) last year.

"The industry has long been ripe for consolidation. It's certainly due, as the returns haven't been good enough for years," says Mr Gary McManus, heavy truck analyst at J.P. Morgan in New York.

The US is the world's biggest heavy truck market and has the toughest standards for weight utilisation and exhaust emissions. Such technological factors, combined with the highly competitive haulage business in the US, explains why many leading European truckmakers have invested heavily to establish a presence.

Any consolidation in the US would immediately affect international manufacturers attempting to develop economies of scale by building vehicles in the world's main markets.

The market is already becoming more concentrated. Freightliner and Paccar increased their combined share of heavy truck sales to more than 50 per cent last year. Their dominance will rise dramatically if US anti-trust regulators approve Freightliner's acquisition of Ford's heavy truck subsidiary, announced in February. Assuming the deal proceeds in June as planned, Freightliner will control about 40 per cent of Class 8 sales.

Mr Jim Hebe, the ex-Paccar manager now running Freightliner, has no doubts about the future. "Consolidation is already happening through narrower product lines. Further rationalisation is inevitable over the next two to three years," he says.

Those changes may happen faster than even Mr Hebe predicts. Most truckmakers expect the market to continue falling for the next two years. This year alone, Mr McManus expects overcapacity in North America to exceed 50,000 units. Rumours last week, denied by both sides, that Volvo and Mack Trucks, the US subsidiary of Renault, are discussing a merger highlights how jumpy the industry has become.

Some truckmakers argue that the predictions of plummeting sales are too pessimistic as the economy is still growing. They also say road transport is experiencing a prolonged expansion after deregulation in the 1980s.

Such arguments, however, are only half true. Last year, sales dropped by more than 15 per cent to 170,000, and registrations are expected to dip a further 6 per cent this year. Moreover, optimism about continued economic buoyancy has been overshadowed by the recent rise in US interest rates.

And while deregulation has nurtured a new breed of more efficient, non-unionised hauliers, sales of heavy trucks are likely to rise more slowly than demand for road transport. Hauliers are using their fleets more efficiently through technology, while legal limits on the size and weight of vehicles will continue to go up.

Such factors should consolidate Freightliner's and Paccar's lead. Both have pulled ahead by concentrating on the market segments that have grown fastest since deregulation. Freightliner has focused on new deregulated operators, such as Swift Transportation, based in Phoenix, Arizona, which has risen from virtual obscurity to a nationwide business.

Freightliner's Century Class truck, unveiled in 1995, for the first time offered features such as satellite navigation and communications systems enabling customers to track their vehicles en route. Such monitoring improves productivity by optimising itineraries and ensuring trucks spend the minimum time travelling empty. Linked monitors to the engine enable the operators to ensure their drivers are complying with company rules on speed and engine revolutions.

Freightliner has also capitalised on the financial muscle of Daimler-Benz to offer capital-intensive services such as a high-volume used truck business and a big financial services arm.

Paccar has used its two brands, Kenworth and Peterbilt, just as effectively. Kenworth has been developed to rival Freightliner for long-distance fleets. Both manufacturers pioneered the commodious "premium sleeper" cabs preferred by a growing number of driver teams and husband-and-wife pairs, who save money by sleeping in their vehicles while on the road. Peterbilt, by contrast, has capitalised on its old-fashioned "macho" image to appeal to conservative owner-operators who favour huge exhaust smokestacks and lashings of chrome.

Rival truckmakers have failed to keep pace. Navistar, the Chicago-based automotive group, has been the slowest. It seems least likely to survive the next downturn. Chronic labour problems have saddled the company with high wage costs and poor productivity, forcing it to postpone new models. The result has been a remorseless slide in market share to 16.7 per cent last year from 23.1 per cent in 1991.

Mack Trucks, America's oldest and best-known brand, had also seemed in interminable decline since Renault bought its first stake in 1979. Mack's share has recovered recently, although profits before tax and interest fell to $29m last year from $63m. Mack's gradual recuperation has been overshadowed by the financial problems of its parent: Renault lost FFr5.25bn last year, prompting speculation that radical restructuring – including the amputation of its US arm – may be inevitable.

Even Volvo, the world's second-biggest heavy truckmaker, has run into difficulties. Volvo GM Heavy Truck, its US subsidiary in which General Motors owns 13 per cent, plunged into loss last year. Deliveries fell by 38 per cent – more than double the market decline – because the previous management, now replaced, failed to recognise warning signals. Mr Trogen admits profits will not be restored until 1998.

Mr Marc Gustafson, Volvo's new US chief executive, says sales of Volvo's new VN heavy truck, unveiled last September as a competitor to the Century Class in a $500m investment plan, have been encouraging. "I see Volvo being among the top two manufacturers in its markets," he says.

Mr Pierre Jocou, who recently stepped down from running Mack, says the company is determined to build on its gradual recovery and to improve efficiency by sharing more parts with Renault. Both deny any plans to merge or withdraw from the market.

That leaves Navistar. Its chronic losses in heavy trucks have been cushioned by higher margins in medium trucks and diesel engines. However, the decline of its heavy truck business has raised doubts about the company's claim that it is committed to the sector and investing heavily to remain competitive.

Scania, Volvo's Swedish arch-rival, and Iveco, the Fiat group's commercial vehicles subsidiary, have been tipped periodically as buyers of Navistar. Both exported to the US in the 1970s and 1980s, only to withdraw after deciding local manufacturing was essential for significant sales. Neither took the plunge.

"From time to time the question arises. But there is no change in our position. We have no plans to enter the US market," says Mr Leif Ostling, Scania's chief executive.

"Our priorities are in other parts of the world," says Mr Giorgio Bertoldi, Iveco's spokesman. However, the uncertainty over Navistar's future has been heightened by the fact that one-third of its shares will soon be in play. In 1993, the company placed 33.3 per cent of its stock in a special trust for employees, pensioners and sick members in return for mitigation of its steep health and pension liabilities caused by previous underfunding.

The trust was not allowed to sell the stock for five years. But, once the restriction expires at the end of June next year, few analysts expect it to retain such a large single exposure. The deadline is widely seen as the trigger for the next shake-out.

Rationalisation could come sooner. "A bidder would almost certainly try to seal a deal with the trust ahead of the deadline," says one analyst. The credibility given to the recent Volvo-Mack merger talk shows few observers believe the next withdrawal from the truckmakers' convoy will be the last.

· OBSERVER ·

In at the deep end

■ Capitalist lackeys can now happily go about their business in Russia. But some behaviour which would have been frowned upon by old-fashioned Stalinists is still out of favour with their free-market successors. For example, blowing the whistle on old nuclear submarines rotting away in the icy water around Murmansk used to be treason – and apparently still is.

Alexander Nikitin, a retired naval captain, did just that in a report for a Norwegian environmental group. For his trouble he earned himself 10 months in solitary confinement and – in another old tradition – an award from a wealthy western foundation.

The Goldman Environmental Foundation of San Francisco yesterday gave Nikitin one of its six annual $75,000 prizes for environmentalists who make a real nuisance of themselves. Previous winners include Ken-Saro Wiwa, the Nigerian campaigner executed by the government.

Meanwhile, the Russian authorities have discovered that some things have changed; these days they need some evidence to make their charges stick. Nikitin is out of prison, although the treason charge – which carries the death penalty if he is found guilty – still hasn't been dropped. Wonder if he'll ever get to collect his prize money.

Crossed line

■ Expectations that Spanish telecoms operator Telefónica is about to switch global partners were confirmed yesterday, if only briefly.

Portugal Telecom, announcing its own strategic alliance with Concert – the global link-up between British Telecom and MCI – referred to a "Pan American joint venture announced today by MCI and Telefónica Internacional". Surely positive proof that Telefónica was taking up with MCI and pulling out of the WorldPartners alliance led by AT&T?

An embarrassed silence from executives was followed by hurried excuses: Telefónica had not yet made a decision, the reference was mistaken, an early version of the statement had been sent out by mistake and so on. So much for the communications business.

High security

■ Bank of Italy governor Antonio Fazio has taken the safe option to plug the gap in the bank's four-strong directorate left by Tomasso Padoa-Schioppa, who's off to be top watchdog at the stock exchange. The job has gone to Antonio Finnochiaro, secretary general since 1985 and – as the most senior official below the directorate – next in line for elevation.

Still, some central bank watchers thought Finnochiaro – a statistician who's spent all his 36-year career in the bank – was a less exciting option than Carlo Santini, the bank's head of research. An economist, Santini had been tipped for promotion to fill the intellectual gap left by Padoa-Schioppa, as well as to continue his pro-Emu influence.

What may have swung it for Finnochiaro was his insider's knowledge and organisational skills; both will come in handy during the impending move of much of the bank's operations out of central Rome.

Title chase

■ Who will come out on top when newly-merged Suez-Lyonnaise des Eaux downsizes its unwieldy name? On the surface Lyonnaise has the upper hand: chairman Jérôme Monod did most of the talking in the run-up to the merger and, technically, his company has absorbed Suez. But Suez chairman Gérard Mestrallet has his hands on the operational levers as head of the new executive committee.

Of course, they could always come up with an entirely new monicker. After all, Suez lost its canal back in 1956, and Lyonnaise des Eaux has never even won the water contract for its French home town.

Short shrift

■ Today will be a day Diego Guelar, Argentina's ambassador to Brazil, will want to forget. He's been summoned back to Buenos Aires to explain some undiplomatic remarks about Gustavo Franco, director of international affairs at the Brazilian central bank.

It all started when Franco held a press conference on Brazil's new rules for financing imports. Guelar had been in the same lift as Franco earlier that day and felt the Brazilian should have briefed him. Franco says he didn't know Guelar, and he doesn't shoot his mouth off about new policies to strangers in lifts.

Guelar then lunched with the Brasilia press corps, where he made some uncomplimentary remarks about Franco, who is not a tall man. "People who are below the horizontal line need to be arrogant in order to defend themselves," he said. He has written a letter of apology which may help him keep his job. But it could be a while before he's walking tall again.

The Financial Times

100 years ago

Her Majesty's Jubilee
We are beginning to realise that even a Diamond Jubilee has its drawbacks. The number of companies formed to reap golden harvests by acquiring sites for viewing the procession is getting almost as numerous as the years of Her Majesty's reign. One new venture that has come forward for public subscription is the Jubilee Select Seats and Luncheon Syndicate. "Crowned heads and Presidents of European states have arranged to be present," the prospectus states. "Asian, African and Far Eastern potentates will join the procession."
[Queen Victoria succeeded her uncle, King William IV, in 1837, and reigned for 63 years].

50 years ago

No Devaluation For Holland
Amsterdam, 14th April. The Dutch Government to-day officially denied Press reports to the effect that there was a possibility of the devaluation of the guilder. Within the framework of the measures to be announced by the Finance Minister, Mr. Lieftingk, this week, the Government states, there will be no question of devaluation.

FINANCIAL TIMES
Tuesday April 15 1997

Singapore and Malaysia hit by Wall St uncertainty

By James Kynge in Singapore

Share prices in Singapore and Malaysia fell sharply yesterday, pushed down by domestic factors and deep uncertainty after Wall Street's recent poor performances.

In Kuala Lumpur, the benchmark Composite Index fell 37.27 points – or 3.3 per cent – to a seven-month low of 1,101.09. In Singapore, the Straits Times Industrials index declined 1.6 per cent to close at 2,034.64.

Local investors in Singapore and Malaysia tend to take their lead from the US share markets, but economic and regulatory factors also took their toll.

Investors in Malaysia's market have also been hoping that domestic interest rates, which were guided steadily upward last year, might be lowered.

Economists said this now looks unlikely because a rise in US rates – feared by many on Wall Street – would leave Kuala Lumpur with little justification for any easing in monetary policy, especially as the local central bank is thought to be keen to support the ringgit, Malaysia's currency.

Some investors remain concerned that curbs on lending for property and share purchases announced in late March could have a significant adverse effect on bank and finance house earnings this year. Since the announcement of restrictions, which followed similar actions in Thailand and Singapore, Malaysian stocks have lost 6.5 per cent.

This nervousness has been exacerbated by the fact that financial institutions may be losing funds in the retreating stock market. Shares were also upset by unconfirmed rumours that Dr Mahathir Mohamad, the prime minister, may soon reshuffle his cabinet.

In Singapore, an announcement at the weekend of tighter restrictions on mortgages for people buying public flats also weighed heavily on the market.

The flats, in which about 85 per cent of householders live, are built by the Housing Development Board. Although the measures were generally regarded as mild, they were expected to damp not only HDB prices but also those in the private property market.

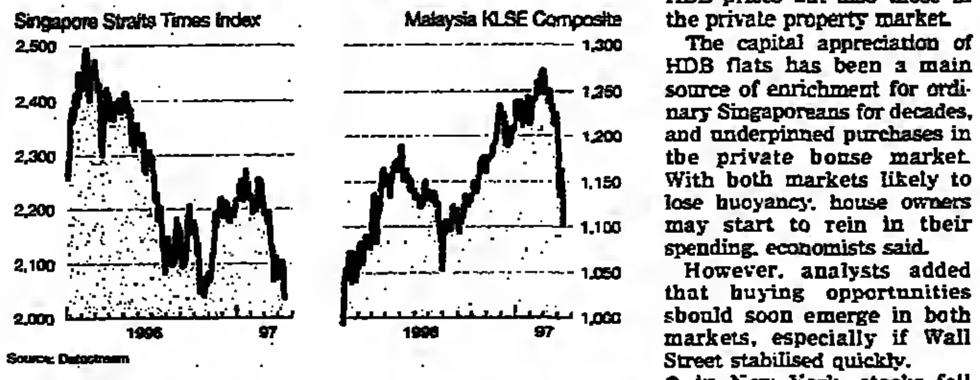
The capital appreciation of HDB flats has been a main source of enrichment for ordinary Singaporeans for decades, and underpinned purchases in the private house market. With both markets likely to lose buoyancy, house owners may start to rein in their spending, economists said.

However, analysts added that buying opportunities should soon emerge in both markets, especially if Wall Street stabilised quickly.

● In New York, stocks fell slightly in early trading yesterday, but fears of a continued sell-off, following Friday afternoon's fall of almost 150 points in the Dow Jones Industrial Average, proved exaggerated, adds John Authers in New York.

The market was also quiet in advance of the latest inflation figures, due to be released today, which are likely to affect speculation about the long-term direction of interest rates.

Wall Street weakness adds to domestic worries



Source: Datastream

World stocks, Page 38

Moscow in oilfield deal with Iraq

Continued from Page 1

facilities in Iraq, already owned by the Russians. Russia developed 15 oilfields in Iraq prior to the Gulf war.

The degree to which foreign oil companies can prepare for projects in Iraq is unclear. Although companies say they will not undertake development work before the lifting of the embargo, there have been low-key contacts between technical specialists.

Lukoil, Russia's biggest oil company and the leader of the Russian consortium involved in the Qurna contract, has previously said preliminary work could include geological and technical preparation, as well as providing equipment not banned by the UN.

Mrs Madeleine Albright, the US secretary of state, last month said Iraq's elimination of weapons of mass destruction would not be enough for a total lifting of sanctions, and made it clear that sanctions would be in place as long as Saddam Hussein, the Iraqi president, remained in power.

Iraq's strategy has been to use the foreign oil deals and the prospect of big infrastructure rehabilitation contracts to increase pressure for an end to the embargo.

Saddam uses such deals at home to project an image of a normalisation of relations with the outside world.

$6bn World Bank loan to boost Russian reformers

By Chrystia Freeland in Moscow

Russia's ambitious new economic team received another international vote of confidence yesterday when the World Bank announced a $6bn loan programme, to be disbursed over the next two years.

The World Bank pledge, which follows an International Monetary Fund promise earlier this month to re-start a stalled $10bn loan, suggests international financial institutions are lining up behind Russian President Boris Yeltsin's rejigged cabinet and its renewed commitment to economic reform.

As well as easing the social pain of unpaid wages and pensions, part of the World Bank lending programme would be directed at deep-rooted structural problems, including the resettling of up to 500,000 Russian residents of depressed northern cities in the more prosperous south. Mr James Wolfensohn, the World Bank president who announced the loan at the end of a visit to Moscow, also said the bank had reached preliminary agreement on an innovative form of project finance, designed to minimise political risk for commercial lenders.

The World Bank chief praised the Russian leadership for its "urgent" commitment to change and said Mr Yeltsin had assured the bank he was behind a controversial campaign to rein in the country's large natural monopolies.

The World Bank programme, which Mr Wolfensohn said the bank hoped to begin as quickly as possible, would be disbursed primarily as adjustment loans to the government to help ease the social burden of the transition to capitalism.

"The issue which is of course on the minds of everybody in Russia is the late payment of salaries and the inadequate funding of pensions," Mr Wolfensohn said.

"Our response has been that at a time when there is a need for resources for the government that we would assist immediately to get the money out to the people that need it, because without that you do not have a social basis on which you can then build a more effective future," he said.

In meetings with Russian government officials, the bank also reached preliminary agreement on a $100m loan guarantee for Sea Launch, a $650m international aerospace project bringing together companies from Ukraine, Russia, Norway and the US.

The loan is innovative for the World Bank, because the international institution will not actually lend the money, but will instead provide a guarantee against political risk for commercial creditors. The Russian government will also provide a guarantee.

Observer, Page 15

Neptune to buy APL for $825m

Continued from Page 1

by the Singapore government's involvement with a company which used to be run by Mr Goh Chok Tong, now the prime minister. Other synergies are expected from streamlining route networks, making better use of IT systems and cutting terminal expenses.

Executives declined to comment on whether staff cuts would also be necessary.

Shipping analysts in Singapore saw the move as positive for NOL, which suffered a 43 per cent decline in net earnings to S$10.2m in the six months to June 30 last year.

But they expressed some concern that the purchase, which will be funded by existing credit lines and internal resources, is expected to raise the company's debt-equity ratio to 3.9 to one.

THE LEX COLUMN

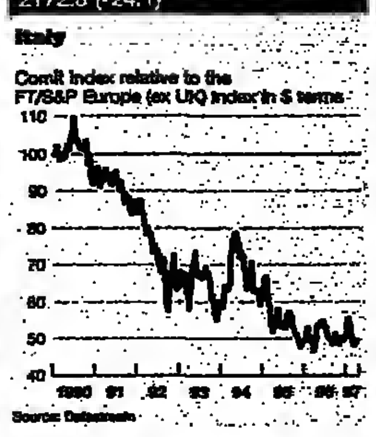
In Concert

In the cliquey world of global telecoms, the Concert alliance of British Telecommunications and MCI is the club of choice at present. Yesterday Concert cemented an international link with Portugal Telecom. Spain's Telefónica looks likely to join next. That would more or less sew up Latin America, a $36bn-a-year market expected nearly to double to $60bn by the end of the century. Telefónica dominates in most Spanish-speaking parts of South America, the Portuguese have links in Brazil and MCI itself is strong in Mexico.

Concert's success in signing up new partners is bad news for the other two global alliances. Global-One, consisting of Deutsche Telekom, France Télécom and Sprint of the US, looks strong on paper. But it has yet to make much of an impression in marketing terms, as its European members have been busy with their flotations. The weakest-looking alliance, however, is AT&T-led Unisource. If Telefónica deserts, Unisource, with just the Swiss, Swedish and Dutch telecoms operators aboard, will look second-rank – though Italy's Stet may yet join. The scramble will then be on to find a toehold in the Far East, where the prize is an alliance with Japan's NTT.

While these cross-border links are clearly important in attracting lucrative international customers, investors should not get carried away. Even after the BT/MCI merger, 70 per cent of Concert's revenues will come from residential traffic, where prices are falling faster than volumes are rising.

FTSE Eurotrack 200: 2172.8 (-24.1)



Source: Datastream

Italy

Mr Romano Prodi's 11-month-old government has already outlasted the Italian average and he has survived Saturday's vote of no confidence. But Italy once more has a struggling minority government. The rift in the unwilling partnership between Mr Prodi and the Reconstructed Communists was already apparent in March's feeble mini-budget and Mr Prodi's inability to get the privatisation programme going.

The timing is unfortunate. Italy is determined to be a front-runner for entry into economic and monetary union, which has done wonders for the lira and bond market. But political uncertainty is stifling business investment, in turn reducing economic growth and government revenues. At the same time, the instability of his coalition government has meant Mr Prodi has been unable to tackle vital reforms of the welfare system, particularly pensions. The vast majority of deficit reductions achieved by the Prodi government have come from either accounting changes or temporary measures.

There is a fair chance that investors will get what they apparently want: a new coalition government formed from the centre left and right parties. This would at least create a government unified in its desire to take harsh measures to cut spending. But it would be no perfect marriage. And any initial stock market enthusiasm would probably be short-lived, given the obvious uncertainties of many-headed government.

UK tax

A look at the UK's stretched public finances suggests taxes will have to rise after the general election, whichever party wins. While such fiscal responsibility would be beneficial for gilts, it implies a rougher time for equities. According to broker BZW, a tightening of up to £10bn ($16.2bn) is needed, with perhaps half the increase falling on the corporate sector. That would knock 4 per cent off the stock market's forecast earnings growth in 1998 and almost 7 per cent off cash flow – with implications for dividend growth. On top, a £5bn windfall tax on the utilities, even if treated as a one-off, could depress profits by another point or so, through higher interest payments. In total, that would reduce next year's earnings growth from 10 to 5 per cent.

This burden will not fall equally. A straight rise in corporation tax will primarily hit domestic stocks such as retailers, distributors and builders. Overseas earners like oils and pharmaceuticals would be relative winners. Rather than raise rates, however, an incoming Labour government would be more likely to widen the tax base, possibly by limiting the use of tax losses, capital allowances and leasing benefits. That would hit those with low tax charges, mainly water and electricity companies as well as many brewers, leisure and property groups. Meanwhile, any reduction in the tax credit on dividends would make high-yielders less attractive to pension funds – shifting the emphasis from income to growth stocks.

Co-op

The Co-operative Wholesale Society's management is muttering darkly about "black propaganda" emanating from its would-be hostile bidder, Mr Andrew Regan. But who needs propaganda when they have CWS's annual report. Excluding the banking business, profits fell by 21 per cent last year and operating margins are pitiful. The management talks about the dynamism of the co-operative movement, but the figures depict a corporate dinosaur.

The management has little incentive to make changes, since executive salaries rose by the same percentage as non-banking profits fell. It is enough to make so-called utility fat cats green with envy. And the business performance is worse than it looks. CWS pays an £11m ($17.8m) so-called dividend, which is in effect a customer discount. Remove that from the profits of the group's vast food retail business and its margins sink to 2¼ per cent. Even Iceland, another struggling second-tier food retailer, achieved a 4½ per cent margin last year. Of course, the co-op movement is not about merely maximising profits, but if things do not pick up, there will be little movement left.

That does not mean CWS should necessarily accept the first suitor. It could do plenty to improve its worth. It should absorb the remaining independent co-op retailers, instead of just getting the casualties. And it should try to merge the bank and insurance operations into a more valuable bancassurance business. The one thing it cannot afford to do is nothing.

Additional Lex comment on UK building materials, Page 23

FT WEATHER GUIDE

Europe today

Western Europe will be quite sunny, although eastern France will have more cloud.

Sprawling low pressure over the Ukraine will bring cloud and rain to eastern Europe. The Balkans may have some thunder as a frontal wave moves south-east along the Dalmation coast. The most severe weather is expected over the Crimea.

The northern slopes of the Alps will have heavy rain, with snow above 1200 to 1500 metres.

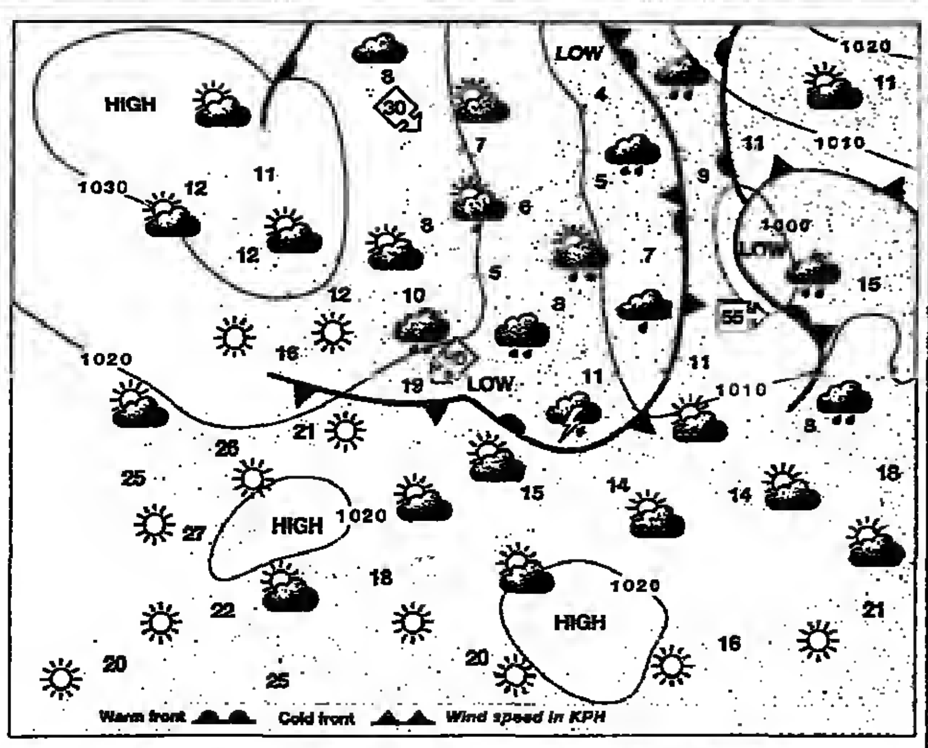
Spain will be sunny with afternoon temperatures rising to 28C.

Five-day forecast

The plentiful sun in Spain and France will slowly diminish, as a frontal system arrives.

The continent will be dominated by cloud. The eastern Balkans will have heavy rain.

Temperatures in most of Europe will remain below averaga.



TODAY'S TEMPERATURES

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

	Maximum	Beijing	fair 23	Caracas	fair 30	Faro	sun 24	Madrid	fair 25	Rangoon	fair 37
	Celsius	Belfast	drzzl 10	Cardiff	sun 14	Frankfurt	shower 12	Majorca	sun 20	Reykjavik	cloudy 8
Abu Dhabi	sun 29	Belgrade	thund 10	Casablanca	fair 22	Geneva	sun 16	Malta	cloudy 17	Rio	fair 28
Accra	fair 31	Berlin	shower 8	Chicago	fair 14	Gibraltar	sun 23	Manchester	cloudy 13	Rome	cloudy 19
Algiers	fair 19	Bermuda	shower 22	Cologne	shower 12	Glasgow	cloudy 12	Manila	fair 32	S. Frsco	sun 21
Amsterdam	cloudy 11	Bogota	shower 20	Dakar	sun 25	Hamburg	shower 8	Melbourne	fair 13	Seoul	fair 13
Athens	sun 15	Bombay	sun 31	Dallas	sun 24	Helsinki	sleet 3	Mexico City	fair 25	Singapore	shower 31
Atlanta	sun 22	Brussels	cloudy 10	Delhi	sun 34	Hong Kong	shower 24	Miami	shower 28	Stockholm	cloudy 8
B. Aires	shower 26	Budapest	shower 8	Dubai	sun 29	Honolulu	fair 29	Milan	fair 19	Strasbourg	fair 14
B.ham	cloudy 13	C.hagen	fair 8	Dublin	cloudy 14	Istanbul	shower 12	Montreal	sun 9	Sydney	fair 21
Bangkok	fair 36	Cairo	sun 21	Dubrovnik	thund 13	Jakarta	cloudy 31	Moscow	rain 10	Tangier	sun 24
Barcelona	sun 19	Cape Town	sun 23	Edinburgh	cloudy 12	Jersey	fair 14	Munich	rain 10	Tel Aviv	fair 20
						Karachi	sun 30	Nairobi	thund 27	Tokyo	fair 16
						Kuwait	fair 29	Naples	cloudy 15	Toronto	sun 14
						L. Angeles	sun 23	Nassau	shower 29	Vancouver	rain 14
						Las Palmas	fair 24	New York	sun 13	Venice	shower 16
						Lima	sun 25	Nice	sun 19	Vienna	cloudy 7
						Lisbon	sun 25	Nicosia	sun 18	Warsaw	sleet 8
						London	fair 14	Oslo	cloudy 12	Washington	sun 18
						Lux.bourg	fair 10	Paris	fair 13	Wellington	fair 15
						Lyon	sun 16	Perth	fair 29	Winnipeg	sun 6
						Madeira	shower 19	Prague	rain 6	Zurich	shower 10

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday April 15 1997 — Week 16

IN BRIEF

Coke sales surge lifting share price

Coca-Cola reported that world consumption of its soft drinks rose 9 per cent in the first quarter, producing better than expected net profits of $967m and lifting the company's share price $1¼ to $55 in early trading. Page 22

India imports wheat as farmers protest
India is to import 4m tonnes of wheat to replenish its fast depleting food grains stocks, which are needed for a public distribution system. This comes in spite of rising domestic production as farmers refuse to sell wheat to state agencies at the procurement price. Page 28

Tyco seals $850m deal with AT&T
Tyco International, the US industrial group, continued its spate of acquisitions with a deal to pay $850m for the underwater cable business of AT&T. Page 21

T&N provides for asbestos liabilities
T&N announced the first of a series of disposals aimed at funding its £333m ($533.26m) provision against future asbestos liabilities. The engineering group – which as Turner & Newall was formerly one of the world's largest asbestos producers – has sold its Flexitallic industrial sealing businesses to Dan Loc, the US industrial components manufacturer, for £42m. Page 23

Club Med departure points to shake-up
Club Méditerranée, the troubled French leisure group, announced the abrupt departure of one of its executives in a further sign of a top-level shake-up under the new chairman. Page 19

GUS buys marketing group for $246m
Great Universal Stores continued its recent burst of corporate activity, buying Direct Marketing Technology, a US marketing information services group, for $246.2m. Page 23

Patriot moves ahead in hotel market
Patriot American Hospitality, a US real estate investment trust, announced a $1bn purchase that will make it one of the leaders in the buoyant market for upmarket hotel rooms in the US. Page 21

Companies in this issue

Market Statistics — http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
PWA	282	+	2
Falls			
Altana	1325	-	34
DLW	140	-	4.50
Hoechst	64.40	-	2.68
Karstadt	505.50	-	17.50
SAP	275.30	-	10.70
NEW YORK ($)			
Rises			
APL Limited	29¾	+	8¾
Corning	46⅞	+	1⅛
Fairfield Cmm	27¾	+	1½
Falls			
Airgas	14½	-	2¼
Chesapeake Egy	16⅛	-	2⅛
Grace	26¾	-	3⅛
LONDON (Pence)			
Rises			
CAMAS	93½	+	9½
Selector	80	+	8
Southp'tn Leis	62½	+	7½
Falls			
Autonov	115½	-	9
Chartwell	24½	-	3
On-Line	52½	-	12
TORONTO (C$)			
Rises			
Amer Mineral	3.95	+	0.45
CRS Robotics	4.40	+	0.40
Namibian Min	5.90	+	0.65
Newgrowth	24.00	+	2.95
Falls			
Golden Rule	4.78	-	1.01
Golden Star	13.00	-	1.50
PARIS (FFr)			
Rises			
Accor	860	+	14
Air Liquide	881	+	11
Bongrain	2230	+	32
Fonc Lyon.	769	+	29
Falls			
Ch. Dior	813	-	15
Pechiney Intl	92.50	-	5.50
TOKYO (Yen)			
Falls			
Ando Cons.	277	-	19
Calpis Food	619	-	21
Canon	2800	-	90
Nomura Sec	1130	-	60
Tobishima	186	-	17
Toyo Seikan	2120	-	70
HONG KONG (HK$)			
Rises			
Shaw Bros	8	+	0.15
TVB	31.90	+	0.20
Falls			
Chinese Est	7.30	-	0.10
Grt Eagle	23.40	-	0.25
Hasco	24	-	0.15
Wheelock	16.45	-	0.35

New York & Toronto prices at 12.30. Bangkok closed.

GM held back by European division

Carmaker turns in best quarterly performance for a decade in North America

By Richard Waters in New York

General Motors yesterday reported its best quarterly performance in North America for more than a decade, beating Wall Street's expectations for its rebounding profitability and giving a big push to its stop-go recovery of the mid-1990s.

However, overall earnings at the biggest car and truck maker in the US were hampered by overcapacity and fierce competition in Europe's new vehicle markets. After-tax profits from GM's European operations slipped to $149m in the first three months of this year – little more than half last year's $285m.

Yesterday's figures were underpinned by net income of $764m in North America. This compares with a strike-induced loss of $279m the year before.

Mr Jack Smith, chairman, said the results showed that core domestic business "has regained its basic earning power", and that the company was continuing to build its financial strength.

Further improvement is widely expected this year with increased production of a range of new cars, which should help GM recapture market share. In the opening months of this year, this sagged to 30.2 per cent.

The latest improvement in profitability came in spite of growing competition in the US new vehicle market, which has forced all manufacturers to increase the level of rebates to attract buyers.

GM said marketing incentives amounted to $860 a vehicle in the period, up from $740 in the final three months of last year and $600 a year ago.

In spite of this, though, the company lifted the profit margins on its vehicle sales. The improvement was due mainly to lower materials costs, but also to lower costs of producing the new models for its home market, said Mr Mike Losh, chief financial officer.

The increased 3.1 per cent after-tax profit margin in North America still left GM well short of the 5 per cent target set by Mr Smith.

The quarter reflected a "reasonable performance", said Mr David Healy, an auto industry analyst at Burnham Securities, but "even with the improvement, it will still be the high-cost producer in the US".

Mr Smith attributed the slide in European profits to "reduced volume and higher sales incentives . . . under intensely competitive market conditions".

The company also recorded lower income from its investment in Saab. Mr Smith said it was due to launch new models this year.

GM's figures were helped by a strong quarter for its financial services unit, which registered a 20 per cent increase in net income to $372m.

Overall, net income was $1.8bn, or $2.30 a share, on sales which rose 8 per cent to $37.4bn.

The year before, earnings, including those from discontinued operations, reached $1bn, or 94 cents a share.

Former CBS head in talks with Channel 4

Candidate for Sony's top US job may return to UK

By Raymond Snoddy in London

Mr Howard Stringer, former head of the CBS network who is being considered for Sony's top job in the US, has also emerged as a possible candidate to be the chief executive of Channel Four, one of the UK's five terrestrial television stations.

Mr Stringer, who was born in Cardiff and educated at Oxford University, has been talking to Sony for some time about a job that would put him in charge of all its operations in the US.

These would include Sony Pictures, its Hollywood film company, and Sony Music and Sony Television.

At the same time Mr Stringer, who has several times expressed a desire to return to the UK after a working life spent in American television, has had discussions on both the Channel 4 job and for the post as new chief executive for the ITV Network Centre.

Mr Stringer, who had considerable programme production experience at CBS before becoming its top executive, has been seen by Sir Michael Bishop, the Channel 4 chairman, and is on a list of possible successors to Mr Michael Grade, who resigned in January.

It is not clear yet how serious a candidate Mr Stringer is for the C4 job as he has never worked in British television.

However, it is believed that Mr Stringer, 55, has ruled himself out for the ITV Network job because he is not in a position to make a decision quickly.

Last week Mr Stringer resigned from his job running Tele-TV, a joint venture put together by Bell Atlantic and two other regional US telephone companies to provide interactive television services over telephone systems.

Tele-TV has been significantly scaled back and is likely to concentrate more on Internet provision for the time being rather than television.

For Mr Stringer, who started at CBS as a clerk logging viewers' comments and has worked his way up, the most likely outcome is that he will go to Sony if a satisfactory agreement can be reached.

In January Mr Nobuyuki Idei, president of Sony, made it clear the company wanted to give its US operations, which account for 30 per cent of group profits, much greater autonomy.

The company said it wanted to make New York its "second headquarters" to keep a closer watch on the rapidly changing American media scene.

It is likely that Mr Stringer would relish the opportunity to learn in detail about the film and music business to add to his extensive network television experience.

Howard Stringer: possible successor to Michael Grade

MCI and BT alliance wins Portugal deal

By Peter Wise in Lisbon, Tom Burns in Madrid and Alan Cane in London

Portugal Telecom yesterday chose Concert, the global alliance between British Telecommunications and MCI of the US, as its strategic partner, initiating a series of corporate realignments that will fundamentally reshape the telecoms industry in Europe and the Americas.

An extraordinary blunder by the Portuguese operator which issued and immediately withdrew a statement referring to a "pan-American joint venture between MCI and Telefónica", Spain's privatised national operator, gave a clue to the likely outcome.

The Telefónica board is known to be considering abandoning its involvement in Unisource, a European alliance comprising the national carriers of the Netherlands, Switzerland and Sweden, in favour of Concert.

The Spanish company said it was still discussing a possible alliance with BT and MCI and with AT&T, the largest US carrier, which has already chosen Unisource as the vehicle for its European expansion.

Telefónica's formal decision is expected later this week. Observers believe there is an 80 per cent chance it will opt for Concert but, as one noted: "AT&T has been waving its cheque book quite blatantly."

Sir Peter Bonfield, BT chief executive, said in Lisbon yesterday he believed the Portuguese alliance would make Concert more attractive to Telefónica. BT and MCI will buy 1.5 per cent of Portugal Telecom as part of the deal.

Before settling on Concert, Portugal Telecom spent almost a year negotiating with Concert, AT&T-Unisource and GlobalOne, the group led by Deutsche Telekom.

Mr João Cravinho, Portugal's planning minister, said Concert had been selected as the best partner for developing Portugal's telecommunications sector "in an environment of free enterprise and healthy competition".

Mr Juan Villalonga, Telefónica's chairman, is travelling to Lisbon tomorrow to seal a share swap agreement with Portugal Telecom, in what is viewed as the first step in the alliance with Concert.

The share swap between Telefónica and Portugal Telecom will underpin planned joint ventures in Brazil where Telefónica Internacional (Tisa) heads a consortium that controls a key regional operator, Companhia Riograndense de Telecomunicacoes (CRT).

Portugal Telecom has an agreement called the Alianza Atlantica with Telebrás, the state-owned telecoms group that is being privatised.

Telefónica's dilemma over its future partners has been intensified by the likely cost of its divorce from Unisource. It is understood that penalty payments could be triggered.

Pearl gain lifts AMP to $1.64bn profit

By Bruce Jacques in Sydney

A one-off abnormal gain from its UK subsidiary, Pearl Group, helped Australian Mutual Provident, the Australian financial services provider, to overcome lower investment returns and post a profit increase for 1996.

AMP lifted net profits from A$1.9bn to A$2.1bn ($1.64bn) in the year following a 9.4 per cent increase in assets under management to A$94.5bn.

The result, AMP's first under mandatory reporting standards for Australian insurance companies, included a A$479m abnormal profit from Pearl of the UK.

This reflected a A$958m unrealised gain following a ruling by UK authorities that AMP was entitled to excess reserves arising from the so-called orphan estate held within the Pearl statutory funds. AMP declared half of this as profit and deferred the balance as policy liabilities.

Mainly because of the orphan estate decision, AMP estimated that the value of the Pearl Group had risen from its purchase price of just over £1bn (US$1.62bn) in 1989 to more than twice that level at last balance date.

Mr George Trumbull, AMP managing director, said the group was still pursuing acquisition targets, particularly in the UK, following its unsuccessful bid for Scottish Amicable, the UK financial services group, this year.

Mr Trumbull said he would prefer to finalise a big acquisition before AMP's planned demutualisation and float, scheduled for next year.

Sparebankgruppen makes hostile bid for Fokus Bank

By Greg McIvor in Stockholm

Sparebankgruppen, the Norwegian savings banks group, yesterday launched a hostile takeover bid worth NKr4.8bn ($688m) for Fokus Bank, a smaller competitor.

The move came as Fokus appeared to be losing a battle with Den norske Bank, Norway's largest, for control of BNbank, a leading mortgage lender.

The events around Fokus mirror a rapid consolidation trend which has swept through the sector in the past month.

This has featured a merger bid between Christiania, the second-largest bank, and Storebrand, the country's biggest insurer.

Fokus, long seen as a potential takeover target because of its small size, said it objected to Sparebank's timing.

"We see this as hostile. We don't think this would be good for the bank," it said.

Sparebank is owned by a group of four large, separately listed savings banks and 12 smaller savings banks. It indicated its move was chiefly a defensive response to increasing competition and restructuring.

Mr Arne Norheim, managing director of Sparebank Rogaland, one of Sparebank's main owners, said the entry of other Scandinavian banks to the Norwegian market posed a threat.

"We are a bit concerned that if one of the large Scandinavian banks buys Fokus, they would come straight into our regional markets with a lot of branches," Mr Norheim said.

Sparebank suggested a tie-up would create annual cost savings of NKr350m-NKr400m within two or three years.

Its offer of NKr73 per Fokus share valued the target at NKr4.8bn, of which Sparebank would pay half in cash.

Fokus shares have been buoyed by takeover speculation this year, surging 56 per cent in the past three months. The stock jumped 9 per cent yesterday, closing up NKr6 at NKr74.50.

Fokus insisted it remained hopeful of merging with BNbank, stressing it had a 10 per cent stake and did not plan to accept Den norske Bank's bid.

However, BNbank's board has refused to consider Fokus's merger approach until shareholders decide whether to accept DnB's bid. DnB controls up to 28 per cent of BNbank stock.

DnB's offer is lower than Fokus's but is in cash. By contrast, the Fokus bid is only 20 per cent cash and 80 per cent shares.

Sparebank and Fokus are both regionally based and more than 50 per cent of their branches overlap. Fokus estimates it can cut the combined workforce, which totals 4,500 employees, by 10 per cent.

Sparebank has assets of about NKr100bn, compared with Fokus's NKr34.5bn. The two would have a retail market share of between 20 per cent and 25 per cent, Fokus said.

Merger talk lifts Italian banks' shares

By Paul Betts in Milan

Shares in Banca Commerciale Italiana, the privatised commercial bank, and Mediobanca, Italy's secretive and influential investment bank, moved higher yesterday on renewed talk of a possible merger.

The two banks declined to comment on a newspaper report that they were considering a merger. However, several Milan bankers and financial analysts suggested that a combination would make sense. "We have been waiting for such a merger for months," one said.

Mediobanca shares yesterday rose 2 per cent in a flat Milan bourse to close at L10,380; BCI rose 1 per cent to L3,495.

A merger between the two banks – which have close historical links – would be in line with efforts, backed by the Italian Treasury and the Bank of Italy, for greater concentration in the banking sector.

It would also help resolve longer term strategic problems facing BCI and Mediobanca, and would lead to a tie-up with Assicurazioni Generali, Italy's largest insurer in which Mediobanca is the single largest shareholder.

With the liberalisation and opening up of the Italian financial markets, Mediobanca – which has played a dominant role in Italian business as chief matchmaker for the private sector – is having to adapt to greater competition from international investment banks.

At the same time, BCI has been trailing its main banking rivals in the growing business of asset management. It is also seen as potentially vulnerable to a bid. Such a threat would disappear in the event of a merger with Mediobanca.

The latest bout of speculation around Mediobanca and BCI coincides with intense behind-the-scenes activity among Italy's big banks. This has been precipitated by the recent combination of Banca Nazionale del Lavoro, the Ina insurance group and Banco di Napoli.

"This new grouping is having a 'domino effect' on the rest of the banking system," one leading Italian banker said.

Significant manoeuvres are also under way between Istituto San Paolo di Torino, the country's biggest banking group which is soon to be privatised, and the IMI investment bank and medium-term credit institute. The two groups already have cross shareholdings which are expected to be reinforced by the imminent privatisation of the big Turin bank.

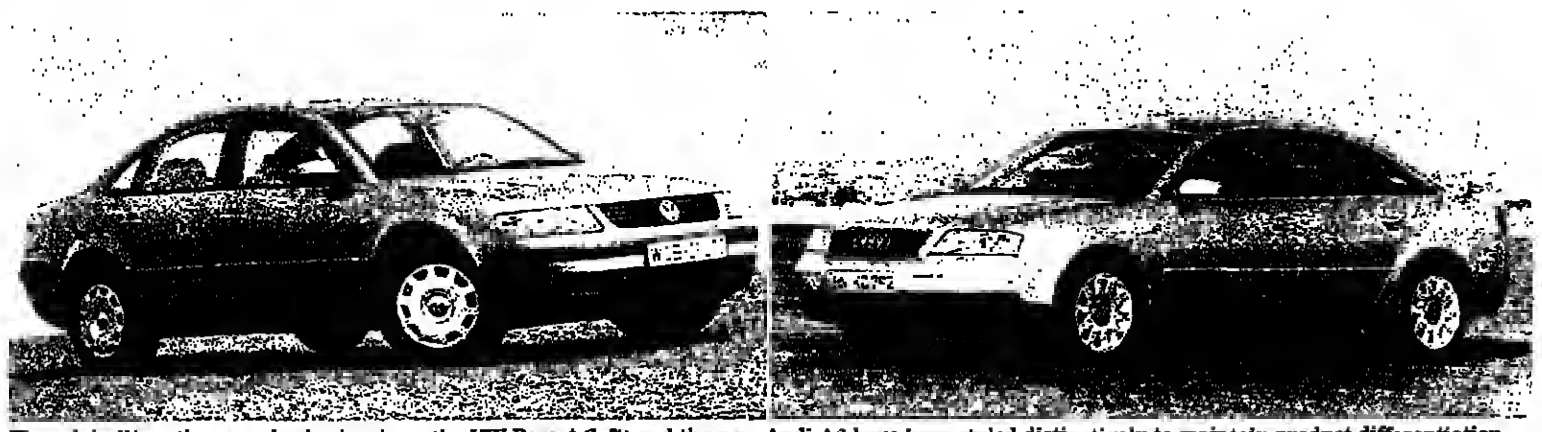
IMI, which has been overtaken by both San Paolo and Credito Italiano as leader of the Italian asset management business, appears anxious to secure a retail banking distribution outlet for its asset management activities.

Compagnia di San Paolo, the foundation which owns the Gruppo Bancario San Paolo holding, which in turn controls the San Paolo bank, is due to meet tomorrow to approve the privatisation process. This will see the holding company cut its stake from 65 per cent.

Investors warm to Piëch's reforms at VW

By pushing the company's stock through DM1,000 a share, investors in Volkswagen, Europe's biggest carmaker, have demonstrated that rising profits and market penetration carry more weight than niggles about industrial espionage or corruption.

VW's stock breached DM1,000 last week on the back of optimistic first-quarter data. Yesterday, it remained robustly in four figures, in spite of a weaker German market. At their current price, the shares have exceeded the DM1,050 target set by Salomon Brothers a month ago.



Though built on the same basic structure, the VW Passat (left) and the new Audi A6 have been styled distinctively to maintain product differentiation

The stellar performance of VW's shares had been periodically clouded by the company's dispute with General Motors over alleged industrial espionage. The row, settled in January by an out-of-court payment of $100m to GM, has since been overshadowed by allegations of entrenched corruption in VW's purchasing.

Neither issue, however, has blunted analysts' enthusiasm for the reforms instigated by Mr Ferdinand Piëch, VW chairman, to turn Europe's most slothful car maker into its slickest.

Mr Piëch's strategy has been based on:

- Differentiating between the VW group's four car brands to cover the broadest spectrum.

Audi, the executive marque, has been moved upmarket to compete with BMW; VW is being broadened to cover a wider model range, without losing its German "quality engineering" cachet. Skoda, VW's Czech subsidiary, has been transformed from the butt of motoring humour into a value-for-money brand to rival far eastern imports.

Only Seat, VW's Spanish offshoot, still has to find its niche. The aim is to distinguish Seat from Skoda as VW's "Mediterranean" brand for younger, more stylish, but price-conscious drivers.

- Developing a "platform strategy" to reduce the number of platforms (basic engineering structures) on which the group's models are built. The platforms will be reduced from 16 to four to improve economies of scale.

Considerable progress has been made. The main reason for the VW's recent share price rise has been investors' growing awareness that 1997 will mark a watershed.

The introduction in September of the fourth-generation VW Golf hatchback means the group's biggest selling car will be built on the same platform as the Audi A3 and the Skoda Octavia. The simplification will be completed in 1998 when Seat's next-generation Toledo will also be built on the same platform.

The process is also under way with VW's larger cars, with the introduction this year of the Audi A6 after VW's Passat in 1996. Audi's A4 saloon, launched in 1995, uses a shorter version of the same platform.

Platform sharing cut the cost of product development – the single most expensive item in VW's budget – by building more models off a basic structure.

To maintain product differentiation, however, the new models have all been styled distinctively. While there are similarities between the flowing lines of the Passat and the Audi A4, the two cars appear as different to consumers.

- A remorseless revision of investments and focus on productivity. Mr Piëch slashed spending at Seat and Skoda. He was almost as tough at home. Although VW is pressing ahead with new carmaking capacity in the former East Germany, it scaled down the project in 1993 after the downturn in European sales.

Mr Piëch has also raised productivity. Among changes he has introduced is inter-brand, and even inter-plant, rivalry. Other innovations include building one brand's models at another's factory to improve capacity utilisation. The new Seat Arosa, similar in many ways to the VW Polo, is being made at VW's main Wolfsburg plant in Germany.

The extra output will help to improve the high-cost plant's efficiency by raising output, and saves investing in Spain.

Such changes have boosted investor confidence, but there uncertainties remain.

The most serious is whether the group will maintain sufficient brand differentiation as the platform strategy progresses. Doing so will require distinct styling and adroit marketing to justify the premium prices charged for VW or Audi versions of a model that is, fundamentally, the same as a Seat or a Skoda.

There is also the question of Mr Piëch's leadership. This month has brought the departure of Mr Martin Posth – the only remaining board member from before Mr Piëch's arrival. Mr Volkhard Köhler, deputy chairman of Skoda, who served as VW's eastern European expert under Mr Carl Hahn, the group's former chairman, is also leaving.

The replacement of VW's entire top management with people of Mr Piëch's persuasion may calm the frenzied atmosphere of the past three years. Along with extension of Mr Piëch's own contract last month, the greater stability could improve managers' effectiveness.

The risk is that Mr Piëch may have thrown out the baby with the bathwater in his relentless purge, and taken too many tasks on himself.

Haig Simonian

EUROPEAN NEWS DIGEST

Daimler buys into fuel cell specialist

Daimler-Benz, the German motor and industrial group, has stepped up its efforts to produce the first series-production vehicles powered by fuel cells by acquiring a 25 per cent stake in Ballard Power Systems, a Canadian company specialising in the technology. The two companies have been working on the development of the technology for several years, with a joint investment budget of DM400m ($230m) since the start.

Three years ago, Daimler-Benz unveiled an experimental hydrogen-powered electric van running on fuel cells, which convert chemicals directly into electricity without the need to burn fossil fuels. Yesterday, Mr Jürgen Hubbert, a Daimler director, called the fuel cell "the alternative drive system with the greatest opportunity of presenting a serious challenge to the internal combustion engine".

The company said it aimed to produce fuel-cell powered vehicles within a few years, at a price similar to cars using conventional engines. Until now, the cost of fuel-cell technology, which cuts down noise as well as emissions, has been too high for practical application. US and Japanese companies have also been working on fuel-cell technology. Daimler and Ballard will set up separate jointly-owned operations to cover further technical development and to handle sales of fuel cells and drive units. *Andrew Fisher, Frankfurt*

Krupp sales static in quarter

Stronger overseas demand helped Krupp Hoesch, the German steel and engineering group, record a 5.6 per cent rise in orders to DM6.5bn ($3.73bn) in the first quarter of 1997, compared with the same period last year. But weakness in the German economy meant overall sales in the first quarter, at DM5.5bn, were "on par" with last year, according to Mr Gerhard Cromme, chief executive. Mr Cromme said: "Economic activity in Germany picked up slightly in the first three months of 1997, but still mainly as a result of demand from abroad. It is difficult to say whether the economy in Germany will gather pace over the next few months."

He forecast full-year 1997 results would be better than in 1996. Last year the company, which has undergone restructuring, suffered a 59 per cent fall in net profits from DM505m to DM208m. It blamed this on weak economic conditions, which hit its core steel activities. Pre-tax profits dropped 48 per cent in 1996 to DM336m.

But Mr Cromme said yesterday that, in spite of poor economic conditions last year, the company had achieved its three "ambitious" goals for 1996: to generate a clear profit, to further reduce indebtedness and to strengthen the group's capital base. The results are the first since the company's abortive attempt to take over Thyssen, its bigger steel and engineering rival. Mr Cromme said a dividend payment of DM5 a share would be proposed.

Graham Bowley, Hanover

Continental profits advance

Continental of Germany, the world's fourth-largest tyremaker, said yesterday its group net profit rose from DM155.2m in 1995 to DM192.5m ($110.4m) in 1996. The result was struck on sales of DM10.4bn, compared with DM10.3bn. The net profit figure included an extraordinary charge of DM80m for closing a factory in Dublin. Pre-tax profit rose from DM387.6m in 1995 to DM524.1m for the year. Earnings per share were DM2.32 compared with DM1.52 last time. *AP-DJ, Hanover*

COMPANIES AND FINANCE: EUROPE

SGS-Thomson profits halved

By Paul Taylor in Catania

Shares in SGS-Thomson, the European semiconductor group, shed more than 4 per cent yesterday as it unveiled a 50 per cent fall in first-quarter pre-tax profits from $227.5m to $112.8m.

However, Mr Pasquale Pistorio, chief executive, was upbeat, saying the sharp downturn in the $140bn world semiconductor market was over.

The shares fell to a low of FFr368.10 in early trading, before recovering to close at FFr376, against Friday's close of FFr392.8.

Mr Pistorio said overcapacity had resulted in deep price reductions last year, including a 70 per cent cut in memory chip prices. However, there bad bean signs that most semiconductor prices had stabilised, he said.

Speaking at the opening of a new $700m semiconductor plant in Catania, Sicily, he said: "We believe the first quarter marks the bottom of this industry cycle. As the quarter came to a close, we saw signs that prices of several standard products were stabilising and in some cases increasing from recent low levels. Additionally, order rates accelerated last month."

Ha said be expected excess capacity to be used up in the second and third quarters this year, and the new cycle to start in the fourth quarter. "It is a very difficult competitive market bnt it will trend upwards."

SGS-Tbomson's results reflected the impact of price weakness on sales margins and profits.

First-quarter revenues slipped 8 per cent from $1.03bn to $944.9m, compared with an overall market decline of about 13.5 per cent. Operating profits fell from $220.7m to $113.5m and net earnings were $90.5m, or 65 cents a share, compared with $175m, or $1.26, in the same period a year ago.

Mr Pistorio said: "As expected, first-quarter revenues were negatively impacted by market pricing conditions. Also, the combination of a stronger dollar and tower demand for products designed for digital consumer applications reduced first-quarter revenues."

He said earnings were also affected by the decision lo move ahead with the completion of the new semiconductor plant in Sicily. "This factor more than offset any positive impact of the strong dollar on operating income," he said.

Skanska to sell its holding in Sandvik

By Greg McIvor in Stockholm

Skanska, Sweden's largest construction group, yesterday stepped up its drive to focus on core operations by announcing the sale of its SKr10bn ($1.3bn) stake in Sandvik, the Swedish engineering group.

The move is the most significant to date in Skanska's effort to unwind a series of industrial holdings unconnected with its main construction, building materials and real estate operations.

It said it aimed to complete the disposals process by finding a buyer for a 9 per cent stake in SKF, the ball bearing maker.

Skanska is tha biggest shareholder in Sandvik, with 20 per cent of the capital and 26 per cent of the votes. It said the sale would release funds to underpin a planned international expansion.

Both groups are chaired by Mr Percy Barnevik, though he is leaving Skanska following his appointment this month to lead Investor, the main investment arm of Sweden's Wallenberg indnstrial empire.

Mr Barnevik is to be replaced by Mr Melker Schörling, currently chief executive. Skanska said yesterday that Mr Schörling's successor would be Mr Claes Björk, head of US operations since 1987.

Under the deal, Skanska is to sell a 7.9 per cent equity stake in Sandvik to Industrivärlden, an industrial bolding company, for SKr185 a share.

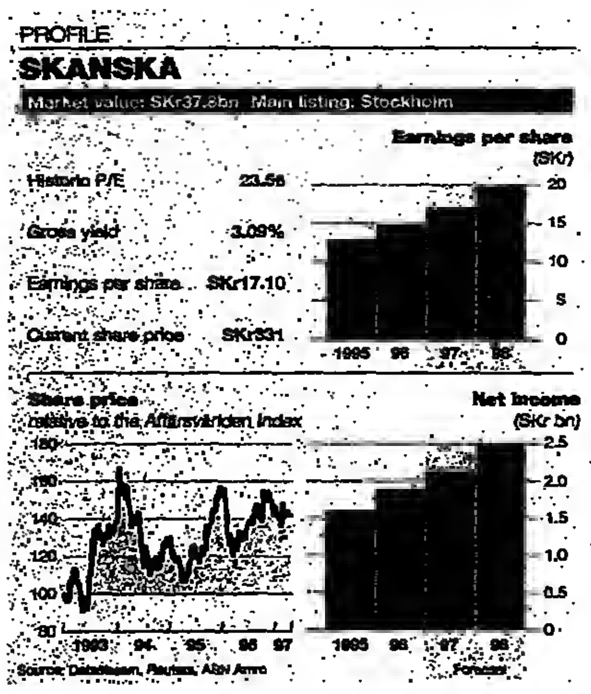
A further 3.7 per cent stake is being taken by Deutsche Morgan Grenfell, the Anglo-German investment bank, for SKr180 a share. DMG aims to sell these shares "as soon as possible" to institutional investors in Sweden and abroad.

Additionally, Skanska is to subscribe in full for a redemption by Sandvik of SKr4bn of its ahares. The redemption would take place for not less than SKr170 per share, it said.

Skanska investors reacted enthusiastically, pushing the shares up SKr5.50 to SKr330 on a weak Stockholm bourse. But Sandvik's most-traded A shares fell SKr6.50 to SKr185.50, reflecting uncertainty over the group's ownership.

Industrivärlden stressed it viewed Sandvik as a long-term investment. It will be the second-largest shareholder, behind Swedbank, tbe Swedish commercial bank, which has 10 per cent.

Mr Barnevik said he would continue as Sandvik chairman, brushing off suggestions of a conflict of interest between the post and his involvement with Investor.



Dutch construction groups to merge

By Gordon Cramb in Amsterdam

Consolidation in the Dutcb building sector continued yesterday with an announcement by BAM Groep and Wilma, two medium-sized construction companies, that they planned to merge through a share swap.

The combined group would have annual revenues of some Fl 2.8bn ($1.44bn), ranking it within the sector's top six. A month ago Volker Stevin and Kondor Wessels said they were to join forces in a move to create the country's second-largest construction group, and the biggest in the domestic market.

Hollandsche Beton Groep, the industry leader, had sales last year of Fl 5.8bn, of which more than half were derived abroad. BAM is active predominantly in its home market, while the German and Belgian operations of the privately-owned Wilma are excluded from yesterday's deal.

BAM is to issue some 1.9m new shares to Wilma, adjustable by up to 650,000 units either way depending on profit developments this year and next. Wilma will place some of the shares it receives in order to reduce its BAM bolding to 35 per cent

BAM shares closed Fl 1 down at Fl 127.90, putting the price it will pay for Wilma's Dutcb operations at Fl 159.9m-Fl 326.1m.

The merged BAM Wilma, with some 6,500 staff, will have house-building as its largest division, accounting for Fl 880m of total sales, followed by utility works with Fl 700m. Wilma is active primarily in the residential market, and the deal will reduce BAM's exposure to public sector infrastructure contracts.

The two companies said the accord provided "an optimal functional and regional spread in The Netherlands" and "a good starting point for further growth of the core activities." No job cuts are expected.

Club Med director goes in shake-up

By Andrew Jack in Paris

Club Méditerranée, the tronbled French leisure group, yesterday announced the abrupt departure of one of its executives in a furtber sign of a top-level shake-np under the new chairman.

The gronp said that Mr Henri de Bodinat, managing director with worldwide responsibility for marketing, commercial affairs, transport and prodnct definition, would leave – a little over two years after being recruited.

It said the departure was "hy mutual agreement" with Mr Philippe Bourguignon, the former chairman of Euro Disney, the Paris-based theme park, wbo was appointed in February in an effort to turn around Club Med.

Mr Bourguignon's appointment was announced as tbe company unveiled provisions of FFr820m ($141.4m) for 1995-96 and the closure of some of its holiday villages. Club Med has since sold its 23 per cent stake in Vultur, an operator of Italian boliday villages, and is believed to be considering other changes, including the possible sale of its cruise ship operations.

Mr de Bodinat, wbo previously held top positions with Saatcbi & Saatcbi France, Sony Mnsic France and Sony Software Europe, stressed yesterday tbat he and Mr Bourguignon agreed on the changes required at Club Med. However, their qnalities were "simitar rather than complementary".

Club Med later announced that Mr Yves Martin, managing director of the byper-market branch of the French retailer Casino, would be depnty managing director for sales and marketing, and a member of the gronp's executive committee.

Other senior management changes are expected in the next few days, ahead of the annual general meeting later this month.

EUROPEAN NEWS DIGEST

Bank Berlin sees rebound this year

Bankgesellschaft Berlin (BGB), the German banking group, said yesterday it expected a sbarp return to higher profitability in 1997 and forecast operating profits after risk provisions of about DM1bn ($580m). This compares with DM335m in 1996, wben the group was hit by problems in the Berlin property market and company failures which resulted in high loan-loss provisions.

Mr Wolfgang Rupf, who took over as chairman at the end of last year, said 1996 had been the most difficult in the history of the group, which was founded three years ago by the merger of Berlin's main municipal and private sector banks. Provisions last year rose to DM2.5bn, while earnings fell sharply to DM47m, or 10 per cent of the 1995 level. To maintain the dividend at DM1.10 a share, BGB drew DM240m from its reserves.

BGB is implementing a programme aimed at improving risk management. The new structure, which is aimed at providiog greater transparency on credit risks across the group, would be in place by July, Mr Rupf said. Costs would also be brought under tighter control, beginning with a freeze on new staff. In tbe next two years, the group expects to cut the workforce by about 10 per cent from its current 17,000.

Mr Rupf said talks were cootinuing with Norddeutsche Landesbank, a public sector bank based in Lower Saxony, about closer co-operation or even a merger.

Frederick Stüdemann, Berlin

Financial activities lift Hilti

A further sharp rise in financial profits at Hilti, one of the world's biggest producers of industrial fastening systems, led to a 6 per cent increase in net income to SFr204.2m ($139.1m) in 1996. The Liechtenstein group's operating profits fell for the second year running, by 18.3 per cent to SFr140.1m. However, this was more than offset by a 76 per cent jump in profits from financial activities, to SFr84.1m.

Turnover rose 9 per cent to SFr2.2bn. The combination of a severe winter and recession in the construction industries of Germany, Austria and Switzerland resulted in further pressure on operating margins, which bave fallen from 9.8 per cent in 1994 to 6.3 per cent this time.

A sharp rise in the earnings from Hilti's liquid assets of SFr1.3bn cushioned the weaker operating performance and enabled it to increase its annual dividend by 5.5 per cent to SFr19. The family controlled group said it was investing heavily in building up new markets and expanding in the emerging markets of Asia, eastern Europe and Latin America. Its workforce rose 3 per cent to 11,600.

William Hall, Zurich

HEW, Sydkraft tighten links

German utility Hamburgische Elektricitats-Werke yesterday tightened its links with Sydkraft by taking a 15.7 per cent stake in the Swedisb power supplier. Sydkraft responded by promising to lift its current 13.3 per cent holding in the German group to 20 per cent.

Mr Goran Ahlstrom, Sydkraft chief executive, said: "Our aim is to reach a 20 per cent stake. We have known that they [HEW] were interested. It's positive for us that our partner is interested in us." HEW said yesterday its stake in Sydkraft would lay the groundwork for possible co-operation. The relationship between the two companies was forged in January when Sydkraft joined forces with PreussenElektra of Germany, its biggest sbareholder, to take a joint 25 per cent stake in HEW for DM1.3bn.

Reuter, Stockholm

CLP backs down on new power plant

By Louise Lucas in Hong Kong

China Light and Power, Hong Kong's biggest electricity supplier, yesterday backed down on its refusal to defer development of its Black Point power station – which it bas been building despite a large surplus capacity – and agreed to postpone work on two units.

The company reached agreement with the territory's government yesterday after long negotiations and various consultants' reports.

Proposals for dealing with the excess capacity had included sales to Hongkong Electric, CLP's smaller competitor – a suggestion Hongkong Electric robustly rejected.

By agreeing to defer two of the generating units for up to five years if necessary, savings of up to HK$478m (US$62m) could be made during the life of the project, the government's consultant said.

A further concession, tbe decommissioning of 442MW of existing gas turbine capacity at two other stations, would immediately hold down the reserve margin by 10 per cent.

CLP has been eager to press abead witb the 2,500MW Black Point, approved in 1992 before the slowdown in electricity sales began to be felt, and has argued that deferral would add to costs in the longer term, given higher future prices and the value of work already commissioned.

Under the agreement it has staved off calls to discontinue units 5 and 6, which are at an advanced stage of manufacture, and agreed to deferral of units 7 and 8 for three years with an option for extension.

CLP's problems began with the migration of factories across the border into China, where land and labour are cheaper. Demand for electricity fell sharply below CLP's forecasts, and excess capacity is now about 50 per cent.

Mr Ross Sayers, managing director of CLP, said the combination of actions being taken would address the reserve margin issue in both the short and long term.

Mr Stephen Ip, secretary for economic services, welcomed the arrangement which he said was reasonable and would be beneficial to customers.

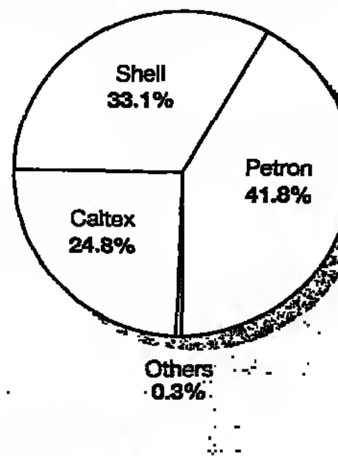
Manila oils troubled waters

Price cuts have helped ease consumers' fears over deregulation

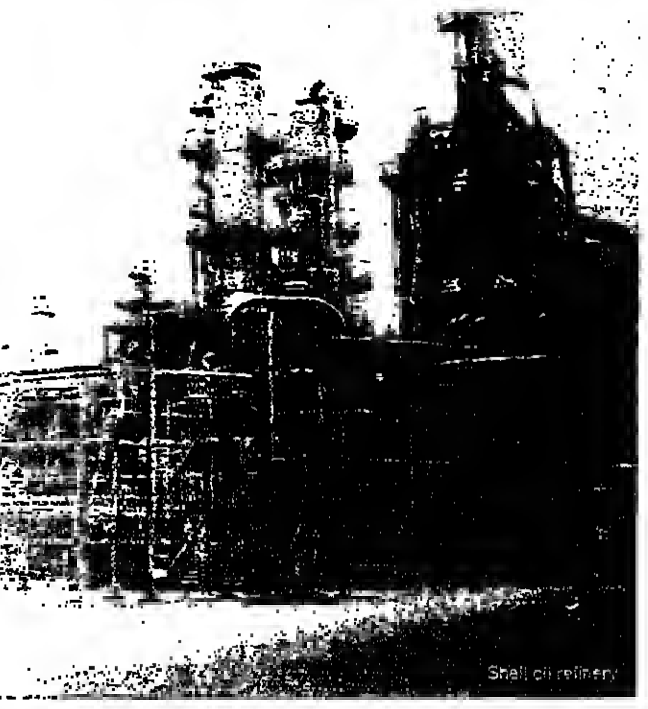
Pump action

Sales of all petroleum products in the Philippines

Market share at end February 1997



Source: Pilipinas Shell



Shell oil refinery

After a quarter of a century of state-controlled oil in the Philippines, it was perhaps understandable that apprebension of deregulation at times gave way to bysteria and demonisation of the Big Three oil groups – Petron, Sbell and Caltex.

But pump prices of unleaded gasoline and diesel have been cut three times since liberalisation on February 8.

The price reductions have already done much to assuage fears that deregulation would mean spiralling costs to the consumer and a cosy cartel of the long-established triumvirate.

The eventual timing of deregulation, phased in over six months and coinciding with stable world oil prices, has also helped.

Last March, in the first move towards deregulation, tariffs on crude oil imports were reduced from 10 per cent to 3 per cent, and on petroleum prodncts (excluding fuel oil and liquefied petroleum gas) from 20 per cent to 7 per cent.

The process culminated last month in the government withdrawing from oil pricing – the last vestige of state control. Prices are now freely set by companies, based on the new henchmark of Singapore Posted Prices.

As the market settles down to full liheralisation, new competitors have entered aggressively, focusing particularly on LPG, oil trading, and petrol retailing – the most accessihle activities within the sector.

Big foreign companies, however, have hesitated to jump in to the Philippine market, faced with a significant increase in refining capacity coming onstream in Asia over the next two years and the unexciting prospect of small-scale operations scattered across the archipelago.

Analysts expect LPG, the fastest growing area within the next five years, and the industrial sector – fuel oil, diesel and aviation fuel – to attract the fiercest competition. Malaysia's Petronas has joined a handful of local groups entering this market.

By 2003, new providers should increase their overall market share from about 1 per cent to 10 per cent.

On the retail side, the most visible area of competition, new entrants will be opening a total of 300 to 400 stations by 2001. Apart from Thailand's PTT, which bas already set up in Subic and is eyeing a further 200 outlets around the archipelago, the smaller local companies such as Seaoil, Unioil and Flying V again dominate, aiming for 40 to 50 stations each.

However, according to Mr Giovanni de la Rosa, analyst at ING Barings in Manila, competition in the low-margin petrol market will still be muted.

"The big three already have 3,000 stations between them and they won't be standing still. They'll be putting up at least as many as the new entrants themselves in the same period. Tbey also bave the most attractive locations in the metropolis and tbe prevailing bigh property prices are unfavourable for new entrants," be says.

The three companies have invested beavily to meet tbe competition. Petron, the market leader whicb is 40 per cent owned by the government and 40 per cent by Saudi-Aramco, has expanded its retail network by about 50 per cent to 980 stations. It is set to increase capacity at its refinery from 165,000 barrels a day to 180,000 b/d by the first qnarter of next year.

'The big three already have 3,000 stations between them and they won't be standing still'

Shell has spent about $1bn, which includes $600m for a new refinery. It has extended its network of depots to improve distribution and put up more than 50 retail outlets at petrol stations.

Faced with competition from smaller, more agile players, workforces have hean vigorously pruned. Shell has reduced staff by 10 per cent over the last three years, with a further 10 per cent set to disappear by May, when it will have about 1,000 staff. Petron has cut a quarter of its workforce, to 1,270, since January.

Mr Ali al-Ajimi, president and chief executive of Petron, says: "Witb more and more people coming in, there's a possibility of staging a price war. For us to be able to play that well, we launched a rightsizing programme."

Altbough good news for consumers, full deregulation leaves several problems to be addressed.

The Big Tbree are still waiting for the government to honour its 2.5bn pesos ($95m) obligation to them under the old Oil Price Stabilisation Fund, a buffer facility which cushioned consumers from the effects of price fluctuations on the world market.

Safety and environmental issues must continue to be policed by the Department of Energy, following questions over the standards of some of the LPG containers operated by new entrants.

The Department of Energy is still coming to terms with its reduced role. It bas already publicly suggested that companies reduce prices, and the government itself maintains its strategic stake in Petron. Some observers expect it to use that lever to prevent Petron doing anything unpopular in the run-up to next year's elections.

"Overall, the government has done a very good joh on deregulation," says one foreign oil executive. "It just hasn't got used to getting rid of the bahy yet."

Justin Marozzi

ASIA-PACIFIC NEWS DIGEST

Pacific Ports to raise HK$618m

Pacific Ports, the ports operating division being spun off from Fairyoung Holdings, a Hong Kong property and infrastructure group, will raise HK$618m (US$80m) through the offering, the company said yesterday. Under the offer, which begins today, Pacific Ports will sell 200m shares at HK$3.09 each. Of these, 40m will be offered in Hong Kong and the remainder placed internationally. There is also an over-allotment option to issue a maximum 30m additional shares, representing 15 per cent of the total offer.

The pricing puts the shares – hailed as Hong Kong's first pure port infrastructure venture stock – on an estimated fully-diluted price earnings multiple of 42 times this year's earnings, or a discount to net asset value of 15 per cent. Dealing in the shares is due to start on April 25.

Peregrine Capital is acting as global co-ordinator for the issue. Pacific Ports, which is now controlled by Fairyoung and the Asian Infrastructure Fund, estimates a loss for last calendar year of a maximum of HK$17m and a profit for 1997 of a minimum of HK$50m. However, tbe 1997 calculations do not take into account any potential impact from the proposed direct shipping link between Taiwan and China, where Pacific Ports has substantial interests. Proceeds from the issue will mainly be funnelled into port projects in China.

Louise Lucas, Hong Kong

HK satellite operator surges

APT Satellite Holdings, the mainland-backed Hong Kong satellite operator, posted a fivefold increase in net profits to HK$76.52m (US$9.9m) for last year, exceeding the company's profit forecast of HK$74.9m made at the time of its listing in December.

The 1995 results were hit by the failed lannch of Apstar II, the group's second satellite, which cost APT HK$69.79m, taken as an exceptional item in 1995. At operating profit level, stripping out the exceptional, earnings were up 17.19 per cent, from HK$84.58m to HK$99.12m.

The collapse of Apstar II, a result of the Long March rocket launch failure, combined with questions over the quality of management and a generally softer telecoms market, meant that APT's Hong Kong initial public offering last December was only 66 per cent subscribed in December. By comparison the offering from fellow satellite operator AsiaSat was more than 100 times over subscribed.

APT said it was exploring new service areas, including those related to direct broadcasting satellites – a field analysts believe could have big potential. APT's earnings per share rose fourfold, from 4.69 HK cents in 1995 to 23.99 HK cents last year. There is to be no dividend, whicb APT said was because the shares had only recently been listed.

Louise Lucas

Vietnam banks in alliance

VP Bank, one of Vietnam's most prominent private sector banks, has formed an alliance with four other banks after running into liquidity problems. The bank has joined forces with four other "joint stock" banks based in Ho Chi Minh City, the official Saigon Times daily said yesterday.

Joint stock banks first appeared in Vietnam in the early 1990s when economic reforms began to take root. They have diversified shareholding structures that include state companies, state-owned banks and prominent businessmen operating outside the dominant state sector.

The move is the first sign that Hanoi is proceeding with a consolidation of such banks after revelations that some face severe liquidity problems as a result of letter of credit abuse. Others are burdened with large debts from failed property deals.

The country's central bank is coming under pressure to use modest foreign exchange reserves to help these banks meet their short term debt obligations, put at about $800m in the next three months as letters of credit fall due. Western economists say reserves stand at about $1.7bn.

The joint stock banks account for less than 10 per cent of total loans in the banking system, whereas the four dominant state-owned banks have 75 per cent.

Jeremy Grant, Hanoi

Tyco to buy AT&T undersea cable arm

By Richard Waters in New York

Tyco International, the US industrial group, yesterday continued its spate of acquisitions with a deal to pay $850m for the underwater cable business of AT&T.

The deal will also continue the New Hampshire-based company's push to develop servicing businesses alongside its traditional manufacturing operations.

Tyco already claims to be the biggest maker of underseas telephone cables, through its Simplex Technologies subsidiary.

AT&T has been seeking to sell the business, which has revenues of around $1bn, for some time, and Tyco was known to be in negotiations to buy it.

Mr John Walter, president of the telecoms company, said the disposal reflected AT&T's "aggressive effort to ensure that AT&T's portfolio includes only businesses central to our communications services strategy". It has already shed NCR, its computer company, and Lucent, its telecommunications equipment arm.

As with Lucent, the underseas cable business would find it easier to sell to AT&T's rivals if it was independent from it, Mr Walter suggested.

The business to be sold, AT&T Submarine Systems, is involved in all stages of the creation of underseas telephone cables, from design to installation and maintanance. It recently won two contracts to build new cables, one from south-east Asia to Europe, the other from the east coast of the US to the UK and Germany.

Tyco said it was already supplying much of the cable for these two links. The company, which is involved in a range of businesses, from fire and safety systems to disposable medical products, has set out to add servicing and maintenance activities to its manufacturing and distribution operations.

The acquisition would make Tyco "the world's only fully integrated single source for everything from cable system design to manufacturing to installation and maintenance," said Mr Dennis Kozlowski, chairman.

The company last month agreed to pay $4bn for ADT, the home security company, its biggest purchase to date. Fuelled by acquisitions, the company yesterday reported that after-tax profits for the third quarter of its fiscal year climbed by a third to $107m, or 67 cents a share. Revenues grew 32 per cent, to $1.66bn.

John Walter: focusing AT&T's portfolio of businesses Reuter

USA Waste agrees $1.7bn all-stock merger

By Laurie Morse in Chicago

USA Waste Services, the acquisitive waste disposal group, is to merge with a smaller rubbish-hauling group to become the third-largest disposal company in the US.

The $1.7bn agreed stock swap with United Waste Systems will create a group with revenues of $3bn a year.

The deal marks a further step in the consolidation of the US waste business, as groups try to spread environmental costs over a broader business base, and to cut operating costs and overlapping services.

In the past year, USA Waste has expanded its Canadian business, buying the Canadian assets of Allied Waste (formerly Laidlaw Industries) for $518m, as well as the Canadian operations of WMX Technologies.

The merger will give USA Waste larger potential markets in United Waste's primary territories – smaller urban centres in New England and the upper mid-west. Mr John Drury, USA Waste chief executive, said: "United Waste's secondary market focus complements our predominantly urban market strategy. We are particularly enthusiastic about the $500m in acquisition opportunities United Waste has identified in and around its existing service areas."

Mr Cotton Swindell, waste industry analyst for Alex. Brown, said: "This gives [USA Waste] more markets. The waste-hauling business is regionalising, and each company is extending its tentacles farther into less urban regions to draw business into their operations."

Both companies handle non-hazardous solid wastes, and together will serve about 3m customars in 42 states, Canada and Mexico. Assets will total $4.5bn, and include 155 landfills and 270 collection companies.

The transaction, which is anbject to shareholder and regulatory approval, would give each United Waste shareholder 1.075 shares in USA Waste. The existing senior management team at USA Waste will remain at the top of the merged company.

USA Waste will trail industry leader WMX Technologies (which is planning to return to its old name of Waste Management) and number two Browning Ferris Industries. Mr Drury is a former president of Browning Ferris.

Patriot in $1bn deal to acquire hotels chain

By Richard Waters

Patriot American Hospitality, a US real estate investment trust, yesterday announced a $1bn purchase that will make it one of the leaders in the buoyant market for upmarket hotel rooms in the US.

The company said it had agreed to buy Wyndham Hotel, a listed company which manages the Wyndham chain of hotels, including 29 that it owns or leases directly. It also reached an agreement to buy a further 11 hotels, all of them operating under the Wyndham name, from the Trammell Crow family. The family also controls the listed management company.

Patriot agreed to issue 0.712 of a share for each Wyndham share. At Friday's closing price of $22¼, the deal values the company at $611m, Patriot said. It will also take over $152m of the company's debt. The offer values Wyndham at $30.53 a share, a slight premium to the $29⅝ at which it closed on Friday.

The company said it had agreed to pay $330m in cash for the privately-owned hotels it is buying from the family. The purchases had been widely expected, and come two months after Wyndham announced that it had appointed Smith Barney, the investment bank, to advise it on its future.

Provided its plans receive approval from the tax authorities, Patriot will be unusual among real estate investment trusts (known as Reits) in being a fully integrated hotel management company as well as a real estate group. US tax law normally restricts Reits to a narrow range of activities. However, Patriot said that, by merging its acquisitions into California Jockeys and Bay Meadows, a company it is in the process of acquiring, it would be able to expand its range of operations.

California Jockeys is one of tha few US companies able to conduct non-real estate business while maintaining the tax advantages of being a Reit, Patriot said.

Repap searches for new buyers

By Bernard Simon in Toronto

Repap Enterprises, the troubled Montreal-based paper maker, has renewed its search for buyers for operations in Canada and the US after gaining a respite from its lenders.

Repap's future has been uncertain since shareholders of Avenor, another Canadian pulp and paper producer, last month rejected a C$2.6bn (US$1.87bn) takeover bid for Repap. Their concern centred on Repap's debt, which would have left the combined company with borrowings of C$3.4bn.

Repap said yesterday its banks had provided "additional support" that would enable it to meet interest payments due this week. The new facilities include an increase in credit lines to Repap's operations in New Brunswick, which include a coated paper mill and a pulp mill.

The group also indicated a willingness to dispose of individual assets, rather than seeking a buyer for the entire company.

Mr Stephen Larson, president, said several expressions of interest for specific businesses emerged during last year's search for a buyer. The strategy reflected a desire among many forestry companies to focus on specific products.

"We have the support of our lenders and accordingly can take the time necessary to ensure that the best possible value is received for our shareholders," he said.

Repap produces coated paper, used for printing and writing, in New Brunswick and Wisconsin, and kraft paper, used for packaging, in Manitoba. It has a 10 per cent share of the North American coated paper market.

A troubled lumber and pulp operation in British Columbia was turned over to lenders earlier this year.

Mr John Carroll, analyst at Loewen Ondaatjie McCutcheon in Toronto, said: "A lot of companies are interested in parts, but not the whole". He added that Repap "has world-class mills, but it also has world-class debt."

One US paper consultant singled out Finland's UPM-Kymmene and US-based Weyerhaeuser as possible bidders.

Repap shares gained 13 cents to 68 cents at midday in Toronto yesterday.

COMPANIES AND FINANCE: THE AMERICAS

Coca-Cola ahead sharply

By Richard Tomkins in New York

Coca-Cola yesterday reported that world consumption of its soft drinks surged 9 per cent in the first quarter, producing better-than-expected net profits of $987m and lifting the company's share price $1¼ to $55 in early trading.

The size of the increase reinforces the difficulties facing the rival PepsiCo group as it struggles to increase soft drink volumes in world markets increasingly dominated by Coke.

Coca-Cola's 38 per cent profit increase from the previous year's $713m was partly attributable to a big gain on the sale of Coca-Cola and Schweppes Beverage, a UK bottling plant jointly owned with Cadbury Schweppes, to Coca-Cola Enterprises.

Coca-Cola said this transaction added about 8 cents to the first quarter's earnings per share, helping produce a 43 per cent leap from the previous year's 28 cents a share to 40 cents.

Without the 8 cents, earnings growth would have looked weaker than usual at 14 per cent. But Wall Street analysts had been forecasting earnings per share of 38 cents, so the market responded positively to the 40 cents reported.

World-wide shipments of concentrates and syrups rose by 7 per cent – less than the 9 per cent increase in world-wide consumption of its soft drinks because of timing differences. With price increases in some markets, this would normally have produced an 11 per cent increase in revenues.

However, revenues fell by 2 per cent to $4.1bn, partly because of the strength of the dollar against foreign currencies and partly because the company sold its bottling operations in France, Belgium and east Germany.

Coca-Cola said that although the sale of the bottling operations had reduced revenues, it increased profit margins because it shifted a higher proportion of revenues from the lower-margin bottling business to the higher-margin concentrate business.

Wall Street seemed to take its cue from the big volume increases in many world markets, taken as a sign that Coca-Cola's growth potential was undiminished. Significantly, in the mature market of North America, consumption of the company's products increased by 8 per cent.

Highlights from world-wide markets included a 26 per cent rise in sales volumes in eastern and central Europe, a 19 per cent rise in China, and a 15 per cent rise in the Middle East. Weak points included a 2 per cent decline in Germany because of poor economic conditions.

Markets boost US financials in first quarter

By Tracy Corrigan in New York

Favourable conditions in the financial markets helped Donaldson, Lufkin & Jenrette, the investment bank, and Travelers Group, the financial services company that owns Smith Barney, the stockbroker, beat analysts' estimates for the first quarter.

Travelers reported record earnings per share of 95 cents, higher than estimates of 91 cents and up from 71 cents for the same quarter of the previous year.

Net income of $642.1m was up from $520.2m in the first quarter of 1996. However, this year's insurance earnings were boosted by the addition of Aetna Casualty, which Travelers acquired in April 1996.

"The big surprise is that the life assurance business is so strong," said Ms Cathy Seifert, analyst at S&P Equity Group.


Sanford Weill: Travelers' life performance sustainable

Mr Sanford Weill, chairman and chief executive of Travelers, said he believed the life assurance performance was sustainable, adding that the group was well positioned to cope with volatile financial markets.

"Something like two-thirds of our operating income is recurring and predictable," he said.

Revenues at Smith Barney net of interest expenses reached a record $1.66bn, recording strong growth in asset management fees.

Smith Barney's return on equity of 33.8 per cent remains one of the highest in the securities industry.

In its retail brokerage, annualised retail gross production per financial consultant rose 8 per cent to a record $39,000.

However, investment banking revenues fell 5 per cent to $263.5m, reflecting lower underwriting fees. Smith Barney has so far struggled to build its investment banking business, in spite of some high-profile appointments.

"Our present plan is to grow the investment bank over a longer period of time rather than trying to condense it in a short period," Mr Weill said.

Travelers, which recently joined the 30 blue-chip companies that make up the Dow Jones Industrial Average, is rated AA by all three US credit rating agencies, following recent upgrades.

DLJ reported net income of $86.4m in the first quarter, up from $65.1m a year ago and $73.1m in the final quarter of 1996.

Earnings per share of $1.35 were substantially above analysts' estimates of $1.06, while return on equity for the quarter was 22 per cent.

Fee income was 76 per cent higher than the same period of 1996, reflecting its gains in M&A market share. DLJ ended the quarter in fifth place in Securities Data's league table of financial advisers to US targets, rising from 15th a year ago.

Underwriting income also rose as the firm increased market share in the equity and high-yield bond markets.

CPC Int'l faces revamp charge

CPC International, the US food products company, reported a first-quarter gain in earnings per share for its continuing operations of 9.7 per cent to 79 cents a share, against 72 cents in the comparable period, Reuter reports from New Jersey.

The group, which said its corn refining business continued to suffer from overcapacity in North America, expected to take a second-quarter charge for the "realignment" of packaged food operations and reduction of corporate overhead costs.

First-quarter earnings at its corn refining operations, which are due to be spun off to shareholders, fell to a loss of 6 cents a share from earnings of 10 cents for the first quarter of 1996.

Mr C.R. Shoemate, CPC chairman and chief executive, said there had been a "strong comeback of the Latin American corn refining operations".

Consumer foods sales rose 3.2 per cent to $1.75bn, while baking posted a "slight drop" resulting mainly from a fall in volumes of reduced fat and fat-free sweet baked products.

The company said it expected to reverse the decline in its baking business by offering a new line of "better for you" products.

AMERICAS NEWS DIGEST

Mixed fortunes for Raytheon, Hughes

Raytheon, the acquisitive US electronics and aerospace group, beat analysts' profit forecasts with unchanged earnings of 78 cents a share in the first quarter. Although revenues increased only 4 per cent to $2.9bn, and interest payments for the period were $15m higher than last time, the result was 5 cents better than expected.

Meanwhile, rival Hughes Electronics, which is selling its defence operations to Raytheon for $9.5bn, reported a 24 per cent drop in first-quarter earnings per share, from 78 cents to 59 cents.

Underlying profits were flat, and most of the difference was due to a one-time net gain of $72m last year from the sale of a stake in the DirecTV satellite television business to AT&T. Group revenues were 11 per cent higher at $4.2bn of which $1.36bn was attributable to sales to Hughes's parent, General Motors.

Raytheon, which also expects to complete the purchase of Texas Instruments' defence operations this year, and is preparing to dispose of its domestic appliances division, said operating income for the three months under review rose 15 per cent to $340m.

Christopher Parkes, Los Angeles

Mellon buys 1st Business

Mellon Bank is to acquire 1st Business Corp, a privately-held company that owns a full-service commercial bank with headquarters in Los Angeles. Mellon said it was a stock transaction but did not disclose other financial details.

1st Business Corp's principal subsidiary, 1st Business Bank, has about $1.1bn in assets and focuses on medium sized businesses. It serves about 1,700 business customers in the manufacturing, wholesale trade and service industries, with annual revenues between $5m and $300m. The bank also provides personal banking services to professionals, entrepreneurs, and owners and officers of its business clients.

Mellon, which has 1,600 employees, expects to retain virtually all of 1st Business Bank's 200 employees. The deal is expected to be completed in the third quarter of 1997.

"This transaction, along with our existing West Coast presence and our 1996 acquisition of the Business Equipment Finance unit of San Francisco-based USL Capital Corporation, efficiently builds a significant middle market position for Mellon on the West Coast," Mellon said.

AP-DJ, Pittsburgh

ABC Radio buys two stations

Evergreen Media and Chancellor Broadcasting, of the US, are to sell two radio stations – WDRQ-FM Detroit and WJZW-FM Washington – to Walt Disney's ABC Radio unit for $105m cash.

The deal is part of a disposal programme begun by Evergreen and Chancellor to meet Federal Communications Commission requirements for their merger.

AP-DJ, Dallas

US firm takes Mexican stake

Hicks Muse Tate & Furst, a US private investment firm, is to invest $120m to acquire a minority stake in Grupo MVS, a provider of telecommunications services in Latin America. Proceeds of the investment will go to debt repayment and capital expenditures. Grupo MVS, owned principally by the Vargas family of Mexico City, has pay and direct-to-home satellite television broadcasting businesses as well as production and radio broadcasting operations.

AP-DJ, Dallas

USA Today buoys Gannett

Gannett, the US media group, said USA Today advertising revenue grew 9 per cent as the company's newspaper operating net income rose 41 per cent from the same quarter a year ago.

Gannett said stronger advertising demand, lower newsprint costs, strong results at USA Today and improvement at the Detroit News helped its newspaper segment increase operating net income to $307.2m, from $147m a year ago.

Overall advertising revenue rose 7 per cent, and the Detroit News, which was hurt by a strike, had a profit for the first quarter of 1997.

Broadcasting operating net income was up 14.7 per cent, to $57.4m to $50m.

Reuter, Virginia

Ahmanson calls for clarity

H.F. Ahmanson, the US thrift, yesterday said that rival thrifts Great Western Financial and Washington Mutual should clarify for their shareholders whether questions about the pooling-of-interests accounting method in their planned merger were causing a delay in a meeting of Great Western shareholders.

Ahmanson has a competing bid for Great Western which it claims is superior to that of Washington Mutual. The Ahmanson merger proposal uses purchase accounting.

Reuter, California

UK retailer expands via purchase of US marketing group

GUS buys Direct Tech

By Christopher Price

Great Universal Stores yesterday continued its recent burst of corporate activity, buying Direct Marketing Technology, a US marketing information services group, for $246.2m.

The deal comes just five months after the group, revitalised under the chairmanship of Lord Wolfson of Sunningdale, bought Experian, the US financial information services company, for £1bn, and two months since it received £230m from a property joint venture with British Land.

The two co-founders of Direct Tech and other employees, whose 59 per cant bolding is valued at $131m after yesterday'a deal, stand to gain a further $52.5m if they meet performance targets over the next five years.

The senior management are to remain.

Direct Tech provides direct marketing services, particularly for the US catalogue industry, involving the management of databases to target customers with advertising mail.

Profits last year were $15m on sales of $65m.

Mr Eric Barnes, deputy chairman of GUS, said the purchase of Direct Tech, which is strong in the retail and high technology markets, would complement Experian's position as a provider of information and database management to the financial services and automotive sectors. Experian would be able to make use of Direct Tech's more advanced processing services, proprietary database software and consultancy operations.

Tony Andrews

Lord Wolfson, who has revitalised the company

Direct Tech has a 13 per cent share of the US advertising mail market.

Mr John Peace, chief executive of CCN Experian, GUS's information services division, said: "What we might call junk mail is getting increasingly expensive, and businesses are looking for more accurate and detailed information on the people they are targeting."

The US company manages over 200 databases covering about 150m individuals.

Mr Barnes said the price being paid for Direct Tech, which included $23.7m of debts, would be slightly earnings enhancing this year.

The historic p/e of 22 times earnings was similar to other deals done in the US direct marketing and information sector. GUS would be left with between £600m-£700m cash after the recent deals.

Analysta welcomed the Direct Tech acquisition. One said: "This is an in-fill purchase after Experian and could throw up some interesting cross-selling and revenue growth opportunities," said one.

Shares in GUS rose 7p to 633½p.

T&N raises £42m for asbestos costs

By Tim Burt

T&N yesterday announced the first of a series of disposals aimed at funding its £323m provision against future asbestos liabilities.

The engineering group – which as Turner & Newall was formerly one of the world's largest asbestos producers – has sold its Flexitallic industrial sealing businesses to Dan Loc, the US industrial components manufacturer, for £42m ($68m).

Sir Colin Hope, chairman, said the deal left the group well on course to meet its £70m target for disposal proceeds this year. He predicted T&N would make a £19m profit on the sale of Flexitallic, which last year contributed profits of £5m on sales of £45m.

"Further non-antomotive businesses of this kind will be sold off," Sir Colin added. The group plans to fund up to £150m of its asbestos provisions from selling non-core subsidiaries, while raising the remainder througb improved cash generation and working capital controls. It has rejected approaches, bowever, for the growing powder metallurgy businesses and the Ferodo friction products group in the US. Analysts believe UK rivals GKN and BBA have made informal overtures about buying them. Both declined to comment.

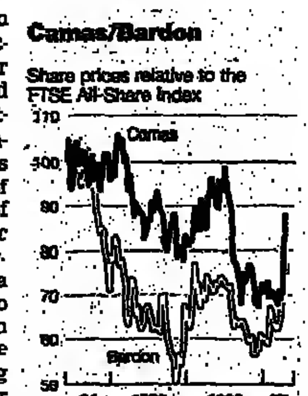
The disposal programme follows T&N's announcement last November of an innovative insurance scheme aimed at capping all future liabilities.

In a bid to draw a line under its asbestos legacy, T&N last month announced a £515m charge against annual profits to meet future personal injury claims and insurance costs.

● In a separate development, T&N welcomed the decision by the Berlin cartel office to approve the acquisition of a 25 per cent stake in Kolbenschmidt, the German pistons manufacturer, by Rheinmetall, the industrial conglomerate. T&N bas options over 24.99 per cent of Kolbenschmidt.

LEX COMMENT

Camas/Bardon



Welcome to the slim, trim UK building materials sector. Yesterday's merger hetween Bardon and Camas was simply the latest step in a round of consolidation which has restored to bealth one of the worst performers of recent years. Domestic recession and cuts in government spending played a role. But there were also self-inflicted wounds, in the form of suicidal price competition. Following five other deals last year among large quarry companies, the industry now looks very different – a fact reflected in the more favourahle pricing environment which allowed the industry to raise prices last year despite falling volumes.

Not only is the industry in better shape; the aggregates cycle bas also turned. Government road spending looks to have bottomed, private finance initiative projects are starting to come through, and there is considerable strength in the property market. This backdrop should ensure 2-3 per cent volume growth this year and next, underpinning further price increases. With the political climate to new quarrying permits also hostile, there is little prospect of disruptive competition from new entrants.

All of this makes for an encouraging investment outlook. Discrimination, of course, is necessary. Stocks like RMC, Redland and Pilkington, with heavy exposure to continental Europe, still face difficult markets. But those with a strong Anglo-American focus, such as the newly formed Aggregate Industries, look set for a good run.

Proudfoot loses $66m on sale

By Roger Taylor

Proudfoot, the UK management consultancy is selling Philip Crosby Associates, the quality management company it bought for $67m eight years ago, for less than $1m.

Mr Philip Crosby a leading proponent of the Quality Management business philosophy is buying back the company he founded for "a nominal sum".

Proudfoot bought Philip Crosby Associates, which advised managers on how to avoid defects in processes and products, in 1989 as one of a number of disastrous acquisitions which resulted in a collapse in profits.

Mr Malcolm Hughes, chief executive said: "Up until 1992, the Quality Management business went very well. Multinationals were splashing out millions getting on the quality handwagon. Then there was a precipitous drop in revenues."

When Proudfoot bought Philip Croshy Associates, it was making profits of more than $5m. Following a £1.7m reorganisation, losses for last year were £300,000, down from £1.7m.

Mr Hughes said: "It does cause comment when management consultants make a mess of their own business, and as a qooted company, Proudfoot bas had to go through painful changes under the public gaze."

The last six years have seen Proodfoot's profits collapse from more than £50m to yesterday's announcement of £4.6m before tax and exceptionals for 1996. After writing off £37m on the sale of Philip Crosby Associates, the company made a loss of £33.2m. Its shares closed up 1½p at 13½p yesterday, compared with 410½p in 1991.

Quality Management was one of the most fashionable business theories of the last decade. At its height, Philip Crosby Associates advised 200 of the Fortune 500 largest US companies.

Mr Hughes said the worst was over. Proudfoot now consists only of the core management consultancy which achieved operating profits of £5.6m last year on turnover of £52m.

Strong pound takes the gloss off ABF

By David Blackwell

The strength of starling – particularly the green pound – took the gloss off yesterday's results from Associated British Foods.

The shares fell by 16p to 505¼p. However, this reflected disappointment over the lack of news on any possible acquisitions rather than with the interim performance, analysts said.

The City had been focusing on the cash pile, which will be £1.5bn ($2.43bn) by the year-end, after last month's sale of the group's Irish supermarkets to Tesco.

Speculation about who the company might want to buy centred on: Tate & Lyle; Unilever's National Starch and Quest; Poland's sugar mills, which are being privatised; and the corn milling business of CPC in the US.

Mr Garry Weston, chairman, said yesterday that the group was still looking at acquisitions that would enhance shareholder value. However, the gossip had got out of hand.

Mr Weston also dampened earlier speculation that there would be a special dividend. He described as "a one-off" the special pay-out made three years ago when the group was reconstructed.

Pre-tax profits for the six months to March 1 rose from £198m to £201m. The group took a hit of about £11m from sterling's strength during the period and warned that the impact would continue into the second half, taking the total hit for the year to about £30m.

British Sugar's operating profits fell by £3m to £84m after changes to the green pound – the artificial rate at which European currency unit-based farm support prices are translated into sterling. This cost £6m during the half, although the effect will be mitigated by this year's record crop of 1.48m tonnes.

Allied Bakeries suffered a setback in profitability after two years of improvements. The Kingsmill brand improved its market penetration, but against a background of ever lower bread prices in the supermarkets.

Mr Weston said supermarkets were selling some loaves as a loss leader at 25p, down from 29p at this time last year. Kingsmill cost 45p a loaf – a level at which "we make money and so do the retailers."

ABF's own retail business – mainly the Irish supermarkets thet are being sold to Tesco – reported unchanged profits of £34m on sales £5m ahead at £713m. The sale – conditional on approval from the EC Commission – will lead to a slight diminution in earnings per share.

Gatwick powers rise in BAA's traffic figures

By Michael Skapinker, Aerospace Correspondent

BAA, the airports group, said yesterday it had handled 98m passengers in the year to March 31, an increase of 4.6 per cent.

The rise was driven by strong growth at London's Gatwick and Stansted airports. Stansted passenger numbers were up 19.2 per cent to 4.9m.

The number of passengers travelling through Gatwick rose 6.9 per cent to 24.6m. The airport has been boosted by British Airways' decision to move its Latin American, central and east African services to Gatwick from London's Heathrow. BA now serves more destinations from Gatwick than it does from Heathrow.

The capacity constraints at Heathrow were apparent in the traffic figures. The airport handled 56.1m passengers during the year, an increase of only 2.4 per cent. The rise in the number of air transport movements at the airport was even smaller at 1.4 per cent.

The difference between the passenger and traffic figures indicates that airlines are continuing to use larger aircraft at Heathrow, a trend that BAA said would continue. It is pressing for the right to build a fifth terminal at the airport, which would take annual passenger numbers to 80m.

The project, which has been the subject of a public inquiry for nearly two years, is strongly opposed by environmental campaigners. BAA argues, however, that the trend towards using larger aircraft means the increase in air traffic would be limited.

North American traffic was up 7 per cent and other long-haul routes 7.8 per cent. European charter traffic fell 6.4 per cent, although it rose 6.7 per cent in March.

Brendan Corr

Watching passenger number climb to 25m: Janis Kong, managing director at Gatwick

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Appleyard	Yr to Dec 31 ★	783	(694)	5.1L♠	(7.79)	10.4L	(7.5)	1.6	May 29	3.1	4.7	6.2
Arcadian Intl	Yr to Dec 31	30.45	(20.45)	3.65♥	(1.68♥)	2.5†	(1.1)	1.08	July 8	0.9	1.2	1
Arlen	Yr to Dec 31	28.84	(28.14)	4.55	(4)	4.3	(3.9)	0.8	May 28	0.5	1.2	0.7
Assoc British Foods	24 wks to Mar 1	2,659	(2,678)	201	(198)	14.5	(14.3)	4.25	Sept 1	4.25	-	e.5
Britannia Group	Yr to Dec 31	39.8	(49)	1.2L	(0.71)	4.4L	(3.1)	0.5	June 1	1.1	0.5	1.6
Caldwell Invs	Yr to Dec 31 ☆	13.2	(10.1)	0.78	(0.405)	5.57	(3.02)	0.8☧	May 30	0.725	1.225	1.1125
Creston Land	6 mths to Dec 31	2.39	(3.1)	0.169	(0.133♥)	0.19†	(0.18)	nil	-	nil	-	nil
Dinkie Heel	Yr to Dec 31	9.25	(7.47)	0.641	(0.594)	3.81	(3.59)	1	May 16	1	1.6	1.5
Doeflex	Yr to Dec 31	72.4	(57.4)	4.85	(3.05)	22.39†	(17.03)	5.2	May 30	4.6	7.7	6.7
El Oro	Yr to Dec 31	-	(-)	-	(-)	-	(-)	22.5§	Apr 30	-	-	21
Exploration Co	Yr to Dec 31	-	(-)	-	(-)	-	(-)	11§	Apr 30	-	-	10.5
Olives Property	Yr to Dec 31	3.53♦	(2.8♦)	0.931	(0.746)	1.77†	(1.27)	0.5	July 1	0.4	0.5	0.4
Preston North End ф	6 mths to Dec 31	2.35	(1.29)	0.002	(0.042)	0.14†	(4.71)	-	-	-	-	-
Proudfoot	Yr to Dec 31 ★	56.6	(81.2)	33.2L♠	(1.9L♠)	48.4L	(5.8L)	nil	-	nil	nil	nil
Saltire	Yr to Dec 28	170.6	(212.7)	3.7♥	(2.27♠)	8.47	(13.96L)	1.2	July 24	0.1	1.2	0.1
Sanctuary Music ф	Yr to Dec 31	2.22	(1.09)	0.482	(0.14L)	7.22	(5.69L)	-	-	-	-	-
Sinclair Montrose ф	11 mths to Dec 31	6.08	(-)	0.892	(-)	5.58	(-)	-	-	-	-	-
Toye	Yr to Dec 31	9.43	(9.69)	0.214L	(0.265♥)	9.54L	(11.44)	nil	-	4	nil	4
Wardle Storeys	6 mths to Feb 28	54.1	(53.8)	4.82	(4.82)	12.3	(12.5)	6.5	July 1	6	-	19

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Schroder Ventures	7 mths to Dec 31 ✢	190.1	(193.3■)	1.55	(0.008)	1.61	(0.44)	-	-	-	-	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ★Comparatives restated. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ☆Comparatives for 14 months. ☧Foreign income dividend. §Interim distribution. ♦Total income. фAim stock. ✢Comparatives for 11 months to May 23 1996. ■At May 23 1996.

Bardon and Camas in £537m merger

By Charis Gresser

Bardon and Camas, the two building materials companies, unveiled a much discussed merger yesterday to create the country's fifth largest aggregates producer.

Mr Alan Shearer, Camas's chief executive, has agreed to step down "to break the impasse". He said Camas had been in discussions to merge with Bardon in December 1995 but the talks had foundered.

"I would rather have stayed on... but one of us had to get out of way," said Mr Shearer. Mr Peter Tom, chief executive of Bardon, will fill that role at the combined group, to be called Aggregate Industries. The chairman will be Mr Maurice Warren, who chairs Camas.

Bardon's 2-for-1 all-share offer values each Camas share at 89p, and the group at £372.2m ($441m).

Their combined market value was £537.2m last night, with Bardon's shares up 3p at 44½p and Camas's up 9½p at 93½p.

Lex, Page 23

NEWS DIGEST

Hanson sells electrical arm

Hanson, the former conglomerate, confirmed its newly focused position as a building materials company yesterday when it sold its electrical business for £145m ($235m). The sale of Hanson Electrical to a management team backed by Cinven, the venture capitalists, was welcomed by analysts as proof of the group's new strategic direction.

Mr Christopher Collins, deputy chairman, said the sale was confirmation that Hanson wanted to "focus on its primary businesses". These consist of aggregates, bricks and a crane division. The group, which was demerged from the former conglomerate in February, has announced a strategy of bolt-on acquisitions to enhance its share of these core markets. Mr Collins said that up to £100m a year could be spent on such purchases and capital expenditure commitments.

Last month, it paid £78m for Concrete Pipe and Products, which made it one of the largest concrete pipe producers in the US.

Yesterday's sale consisted of £125m in cash and a £10m loan note. Cinven has also assumed a £10m commitment to pay for a factory closure, announced as a part of a restructuring last November. Analysts said the price was "reasonable", given the further investment that could be necessary.

Jane Martinson

HSBC sets up mergers unit

HSBC Holdings, the London-based financial conglomerate, is creating a specialised mergers and acquisitions unit in Hong Kong to handle cross-Pacific deals.

The team will include corporate finance specialists from HSBC'a Asian, US and Canadian investment banks. It will advise companies in Asia on acquisitions in North America, and vice versa. The group said there was already a substantial two-way flow between the two. The team will be jointly led by Mr Hoi Kwan, head of the North America corporate finance unit at HSBC Investment Bank Asia, the principal investment banking arm in Asia, Mr David Mullen, chief executive of HSBC Capital Canada, and Mr Guy Longobardo, managing director of corporate finance at HSBC Securities in New York.

George Graham

A&L holders plan sales

Investor hopes of an early surge in the shares of Alliance & Leicester receded yesterday after it emerged that a large number of the building society's new shareholders want to sell immediately.

This is the first indication of how investors will behave in this year's £22bn ($35.6bn) demutualisation bonanza. Alliance, Halifax, Woolwich and Northern Rock building societies and Norwich Union, the life insurer, are all giving members free shares under their demutualisation plans. It has been estimated that only one in eight of the 16m people receiving windfalls from the five would sell.

Alliance, which floats next Monday, said 27.5 per cent of its new shareholders had told it they would sell immediately. This higher-than-expected figure should ease the flow of shares from retail to institutional hands.

One observer said: "Institutions will be less jumpy about getting the shares. It probably means the price will be at the lower end of expectations."

Christopher Brown-Humes

LAW

German state aid repayable

EUROPEAN COURT

European law required a German regional governmeot to revoke its decision granting unlawful state aid, despite the fact that it was outside the tima limit for doing so under German law, the European Court of Justice ruled. The case arose out of a dispute between the Rheinland-Pfalz government and Alcan Deutschland, an aluminium manufacturer.

After Alcan Indicated in 1982 that lt intended to close its plant, the Rheinland-Pfalz government paid transitional aid to compensate for the substantial rise that had occurred in alectricity costs.

Tha European Commission informed the German government that it would investigate the legality of the aid under the Treaty of Rome state aid rules. Alcan was later informed that the Commission had found the aid to be illegal and had ordered its recovery.

The German government informed the Commission there were political and legal obstacles to recovery of the aid. But in 1989 the European Court ruled that Germany had failed to fulfil its treaty obligations by not complying with the Commission decision.

The Rheinland-Pfalz government then revoked tha 1983 decisions granting the aid and demanded repayment. Alcan challenged that on the ground that it was incompatible with German administrative law.

The Federal Administrative Court referred a number of questions to the European Court for a preliminary ruling.

The Court accepted that the European Union legal order could not preclude national legislation which provided that the principles of the protection of legitimate expectations and legal certainty were to be observed with regard to recovery of aid. Yet in view of the mandatory nature of supervision of state aid by the Commission under the treaty, undertakings granted aid could not, in principle, entertain a legitimate expectation that aid was lawful, unless it had been granted in compliance with treaty procedures.

The German court had asked whether the domestic authorities were obliged to revoke a decision granting unlawful aid, in accordance with a Commission final decision, even if the authorities had allowed the time limit for revoking aid undar national law to elapse.

The Court noted that Alcan could not in the circumstances have had a legitimate expectation that the grant of aid was lawful. It concluded that the principle of legal certainty could not preclude repayment on the ground that the national authorities were late in complying with the Commission decision requiring repayment.

It said that if such an argument had succeeded, recovery of unduly paid sums would be randered practically impossible and European state aid rules deprived of effectiveness.

The Court also ruled that EU law requirad the national competent authorities to revoke a decision granting unlawful aid following such a Commission decision.

Tha Court said EU law required the revocation of a decision granting unlawful aid following a Commission decision, even where such recovery was excluded by national law because the gain to the recipient no longer existed, and there was no evidence of bad faith on the part of the recipient.

C-24/95: Land Rheinland-Pfalz v Alcan Deutschland GmbH, ECJ FC, March 20 1997.

BRICK COURT CHAMBERS, *BRUSSELS*

INTERNATIONAL PEOPLE

New CEO at Winterthur

McKinsey & Co, the international management consultants, bas provided yet another top manager for a Swiss financial institution. Thomas Wellauer, 42, who beads McKinsey's Swiss financial services unit,is joining Winterthur Group, Switzerland's third biggest insurer, and will take over as chief executive at the end of 1997.

He replaces Peter Spälti, 66, who has been chief executive for nearly 15 years. Spälti will continue as full-time chairman.

Winterthur has been less successful than some of the other big Swiss insurers and its shares jumped sharply after the announcement. Mr Wellauer, a McKinsey consultant since 1986, has been advising Winterthur on its strategy for some time.

Mr Peter Wuffli, Swiss Bank Corporation's chief financial officer, was the first McKinsey man to move into the Swiss financial sector, and two years ago, Swiss Re, Switzerland's higgest insurance company, hired Mr Lukas Mühlemann, 46, managing director of McKinsey's Swiss operation, as its chief executive. In less than a year be had reorganised the company and produced a substantial rerating of its share price.

However, analysts are sceptical that the arrival of yet another McKinsey expert can produce a similar rerating of Winterthur. It has already reorganised much of its business and there is less potential for eliminating losses.

Nevertheless, the appointment has led to considerable speculation about the company's future. Winterthur already co-operates closely witb Credit Suisse, Switzerland's biggest bank, which is now headed by Mr Mühlemann, and Swiss Re, wbere Mr Mühlemann remains depnty chairman. Mr Wellauer's appointment has led to speculation tbat three institutions could become even closer. *William Hall, Zurich*

New role at Saatchi for Keeshan

Saatchi & Saatchi, the advertising agency, is recasting its senior management in North America to move Michael Keeshan into the newly-created post of chief strategic officer. He becomes a member of Saatchi's worldwide executive management board reporting directly to Ed Wax, chairman and chief executive officer of Saatchi & Saatchi Worldwide Advertising.

Keeshan, 45, has been president and chief operating officer of Saatchi & Saatchi New York for the past eight years, but his new role gives him the task of addressing broader issues. These include bow the agency should position itself and where it sbould look for growth.

His appointment comes as the advertising industry is having to respond to increasing changes as global clients consolidate their accounts with fewer agencies.

Keesban is not being replaced as president of the New York office. Instead, his responsibilities in this area are being added to the remit of Jennifer Laing.

She moved across from running the London office to become chief executive of the North American operation late last year because Cordiant, tha agency's parent wanted to refresh the New York unit.

The executive changes will anable her to take a more "hands-on" role in managing the New York office, the largest single operation in the Saatchi & Saatchi network. *Alison Smith, London*

Gaunt takes over at Ford in Canada

Marketing veteran Bobbie Gaunt has been appointed president and chief executive officer of Ford Motor Co. of Canada to becoma the second woman to head a major auto maker in Canada.

The new CEO replaces Mark Hutchins, 51, who was named executive director Americas and head of direct market operations.

Gaunt, 50, described as a "world-class marketar," was promoted from general marketing manager at parent company Ford Motor. A 25-year Ford veteran, she has also been director of marketing research for the company's North American auto operations and general sales manager for its Lincoln-Mercury division.

Gaunt's appointment, which follows that of Maureen Kempston Darkes as president of General Motors of Canada in 1994, indicates that the top executives at the Canadian subsidiaries of the US big three anto makers are increasingly focusing on marketing issues rather than on manufacturing, industry analysts said.

Gaunt will he responsible for handling the company's network of 650 dealers in Canada at a time their numbers oeed to be pared and they also need to adapt to selling cars, trucks and minivans.

Ford Canada first quarter sales rose 10 per cent to 65,666 units. The company posted a 1996 profit of C$423m on sales of C$25.5bn.

Scott Morrison, Vancouver

Lacombe heads Microsoft Europe

Microsoft Corporation bas appointed Michel Lacombe to the position of president, Microsoft Europe and senior vice-president, Microsoft Corporation. From July, Lacombe will lead Microsoft's European operations wbicb account for a third of the company's worldwide business.

Lacombe takes over from Bernard Vergnes wbo will assume the newly created post of chairman of Microsoft Europe. The company said Vergnes would continue to play a key role providing strategic input on the development of the business.

ON THE MOVE

■ John Stasiw has been appointed vice-president and general manager of STEELCASE INTERNATIONAL, a division of Steelcase Inc., the world's leading designer and manufacturer of office furniture. He was previously vice-president of strategic supply chain management.

■ SYNOPSYS has appointed Gary Larsen to vice-president of marketing for the newly formed Physical Tools Group, formerly EPIC Design Technology Inc.

■ PIXTECH has promoted Richard Rodriguez to executive vice-president and chief operating officer and Yves Morel to chief financial officer. PixTech designs, develops and manufactures FED's, a new type of flat-panel display that may replace liquid-crystal displays (LCDs) in a wide range of portable products and cathode-ray tubes as desktop monitors.

■ GRAPHIX ZONE has appointed David Hirschhorn as co-chairman and chief executive and Robert Shishino as vice-president and chief financial officer.

■ ECHLIN has promoted Edward Shalagan, who joined the company in 1979, to treasurer. Echlin, headquartered in Branford, is a worldwide manufacturer of motor vehicle parts, with annual sales of over $3 billion.

■ William Perry, former US Defense Secretary joins the board of HAMBRECHT & QUIST. Dr Perry, Secretary of Defense from February 1994 to January 1997, will also act as senior adviser to the company's investment banking operations, focusing on H&Q's growing mergers and acquisitions practice.

■ Juergen Schrempp, chairman of Daimler-Benz (Stuttgart) has been appointed to the board and presidium of Frankfurt-based car industry association VDA, replacing Helmut Werner who stepped down as chairman of Mercedes-Benz in February.

■ DAO HENG BANK has appointed Timothy Gibbs as general manager of the bank's global private banking division. The position is aimed at developing Dao Heng's private banking division, which plans to expand by offering a broad range of products.

■ GSE SYSTEMS has appointed David Suchniak chief financial officer, effective April 14. He replaces Dev Ganesan, who resigned in January to work for another company. GSE provides process control, data acquisition, simulation, client-server and business software, systems and services.

■ Investment bank MORGAN STANLEY has appointed Spencer Fleischer as head of investment banking in non-Japan Asia. He is currently a managing director with Morgan Stanley in London, where he is bead of corporate financing for the European region.

■ ALLIED IRISH BANKS has appointed Gary Kennedy, currently vice-president Enterprise Networks Europe and managing director Northern Telecom (Ireland), as group financial director. He will take up his post as an executive director of AIB at the end of May.

■ Charles Rozmaryn, a former managing director of France Telecom, has been named as the future chairman of TELECOM DEVELOPPEMENT, the joint SNCF-Cetegel subsidiary whicb is currently being set up. The board will be composed of an equal number of representatives from SNCF and Generale des Eaux, while the majority of members on the supervisory board will come from SNCF.

■ WANDEL & GOLTERMANN TECHNOLOGIES, a leading provider of network analysis solutions, has appointed Richard Popp to the newly established position of chief operating officer. Wandel & Goltermann offers a full spectrum of network analysis solutions including the Domino, DA-3x and WG Domain product families for network operators, service providers, developers and labs around the world.

■ BANKERS TRUST NEW ZEALAND has appointed Rob Morrison the company's chief executive officer and John Macfarlana as deputy chief executive. Morrison has been managing director of broker Ord Minnett New Zealand for seven years. Macfarlane joined Bankers Trust in 1991 and is curreotly executive vice-president and director of treasury.

■ Cheng Hon-Kwan, a director of Hong Kong's CROSS-HARBOUR TUNNEL, has resigned from the company's board to bead the government's Transport Advisory Committee, succeeding Raymond Ho.

■ ANZ INVESTMENT BANK has appointed Wayne Crispe as head of securities sales Australia. Crispe joined ANZ in July 1995 from Chase Manhattan Bank.

■ Australian mining, steel and energy group BROKEN HILL PROPRIETARY has appointed Tony Barnes to head BHP Power. He will become group general manager and president of BHP Power on May 1. Barnes is currently gronp general manager of finance and administration for BHP Petroleum.

■ SSANGYONG CEMENT of Singapore, part of Ssangyong Group, has appointed Kim Ki-Hoo as its new chairman. He was previously director of Ssangyong Cement Industrial and Ssangyong Heavy Industries.

■ CNA FINANCIAL CORP has appointed Peter Jokiel, 49, president of CNA Life. CNA is a holding company with units that underwrite property, casualty, life, accideot, and bealth insurance.

■ GE CAPITAL SERVICES, a unit of General Electric, has appointed Kathleen Ligare as senior vice-president and managing director of GE Capital Asia Pacific.

■ UK controlled SWIRE PACIFIC bas appointed Michael Bell as finance director from April 7.

■ Ho Wai Lun, head of China affairs and strategic planning at JOHNSON ELECTRIC HOLDINGS has resigned. He has been with Johnson Electric since 1973 and will retain his operational post.

■ Casino operator REEF CASINO TRUST directors John Morris and Sir Sydney Williams have resigned from the board of Reef Corporate Services, manager of Reef Casino Trust. The resignation of the two directors follows the exit last week of John Coates, Reef Casino Trust chairman.

International appointments

Please fax information on new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

INTERNATIONAL CAPITAL MARKETS

Italy and Spain make further gains

GOVERNMENT BONDS

By Richard Lapper in London and John Authers in New York

Italian and Spanish bonds yesterday built on last week's revival of optimism about prospects for Europaan monetary union to make further gains against Germany and other core European markets.

Currency strength reflecting the appreciation of the dollar against the D-Mark provided support, and growing expectations of rednctions in short-term interest rates also helped underpin their strong performances.

Falling inflation is the backcloth to further monetary easing. The Bank of Italy could reduce rates next week if data confirm expectations of a fall in tha annual rate of CPI to 1.8 per cent, say some analysts.

Mr Michael Burke, senior economist at Citibank in London, said real interest rates in Italy "stick out like a sore thumb" and "helped insulate the Italian bond market from the negative developments" associated with monetary tightening in the US. Italian real rates of 4.9 per cent compare with only 1.6 per cent in Germany and 2.1 per cent in France.

The 10-year yield spread over Germany fell yesterday to 169 basis points, taking the decline over the last 10 days to 16 basis points.

However, Mr Mark Fox, chief European strategist at Lehman Brothers, said that thin trading volumes had accentuated the extent of recent price moves. In addition, uncertainty about the potential for convergence was increasing the volatility of spread trades. Lehman estimates 30-day volatility on the bund/BTP spread trade to be more than 20 per cent, its highest level for soma time.

On Liffe, the June BTP future surged to an intra-day high of 128.51, before settling slightly lower at 128.17, a gain of 0.89.

Expectations of monetary easing were also the dominant factor in the Spanish market. Following inflation data last week, the Bank of Spain is tipped to cut its repo rate by 25 basis points today. The 10-year yield spread over Germany yesterday narrowed by 6 basis points to 91 points. In Barcelona, the June bono reached a high of 113.58, before settling at 113.42, up just over half a point.

German bonds opened stronger, outperforming the US. In the cash market the 10-year yield spread of Treasuries over bunds widened by 2 basis points to 115 points. The June 10-year bund future settled at 99.91, up 0.11.

Gilts ware helped by weaker than expected producer price figures for March, and the June long gilt gained ¼ to settle at 108$\frac{27}{32}$. The 10-year yield spread over bunds, which had widened to 187 basis points by the end of last week, narrowed by 3 points to 184 points.

New York bond trading was quiet early yesterday, with most traders apparently waiting for today's new consumer prices data, and figures later this week on the trade surplus.

By 12.30, the yield on the benchmark 30-year Treasury bond had reached 7.170 per cent, with its price having fallen ⅛ to 98¾. Prices fell across the yield curve, with the two-year bond yiald increasing to 6.507 per cent.

Mr Kevin Logan, senior economist at Dresdner Kleinwort Benson, said traders were awaiting new data and were also "wary" of the stock market following its recent falls. After the heavy falls in the bond markets of recent weeks, he said, few dealers were abla to take a short position.

But there was also little enthusiasm for buying immediately before the inflation data, which will almost certainly affect speculation about the long-term direction of interest rates.

The only economic news yesterday came in the latest economic survey by the Atlanta Fedaral Reserve, which showed a slight rise in national business activity and production last month.

Japan Development Bank raises $500m

INTERNATIONAL BONDS

By Samer Iskandar

Yesterday was one of the most active days in recent weeks in terms of primary hond issuance. The dollar sector was particularly buoyant, with almost $2.5bn of new issues.

Japan Development Bank made its first US dollar-denominated issue in 2½ years, launching $500m of five-year notes.

"We are very pleased to have made a successful comeback to the dollar market," said a JDB official. "We have achieved our target of reaching a wide range of investors."

SBC Warburg, which led the deal jointly with Goldman Sachs, said the bonds were placed mainly with European and non-Japanese Asian investors, with only 10 per cent of the total amount going to Japan. It also said demand was particularly strong from UK and Swiss institutional accounts, as well as Asian central banks.

The SBC/Goldman duo also led a rare deal for tha European Investment Bank – $500m of 10-year eurobonds. Recent long-dated issues by the EIB have been launched mainly in global bond format.

SBC said it was pleased to have achieved competitive pricing for the borrower, with a yield spread equal to that of World Bank issues and sligbtly tighter than existing global bonds by the EIB.

"There was a lot of demand from institutional investors looking to extend maturities from five to 10 years," a syndicate official explained. "Investors feel that the Fed's aggressive anti-inflationary stance is good for the long end of the yield curve." He also said that the 7¼ per cent coupon should prove attractive to retail investors.

Elsewhere, Hypothekenbank in Essen launched the first floating-rate pfandbrief bonds denominated in French francs.

Crédit Commercial de France, joint lead manager with Commerzbank, said that although the issuer was not as well known in France as in its home market, it saw good demand from its target andience, namely money market funds and corporate treasurers.

With an interest margin of 15 basis points less than interbank rates in Paris, the two-year notes compared favourably with French treasury bills, which offer lower yields.

The day's largest transaction was a DM1.5bn issue of seven-year bonds by Dresdner Finance, with warrants to bny ordinary shares of Dresdner Bank.

● The first fixed-rate bond issue in sterling by a Korean borrower is expected to be launched today by the Korea Electric Power Company.

The £150m issue of 10-year bonds, which will be lead-managed by SBC Warburg, is aimed at UK institutional investors.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
FCALMT, Series 1997-1(a)‡	750	(a1)	(a1)R	Apr 2002	0.275R	-	Goldman Sachs Intl
European Investment Bank	500	7.25	99.786R	Apr 2007	0.325R	+18(6¼Feb07)	Goldman/SBC Warburg
Japan Development Bank	500	7.00	99.753R	May 2002	0.25R	+9(6⅝%Mar02)	Goldman/SBC Warburg
Lukoil(b)§	200	(3½-4)	100.00	2002	2.50	-	NatWest/Paribas/SBCW
Bayerische Hypo(i)	200	7.00	99.85R	May 2001	0.25R	+25(5⅝%Feb00)	Bear Stearns Intl
Sino Land(c)§	130	4.00	100.00	Apr 2002	undisc	-	Jardine Fleming
DG Bank	100	(d)	100.00	May 2002	undisc	-	DG Bank
KfW International Finance(j)	50	7.00	99.35R	Apr 2002	0.25R	-	Morgan Stanley & Co Intl
D-MARKS							
Dresdner Finance(e)ф	1.5bn	(e)	115.00	Apr 2004	2.50	-	Dresdner KB
YEN							
Sumitomo Realty & Dev(f)★	10bn	2.575	101.775	Apr 2004	1.875	-	Daiwa Europe
FRENCH FRANCS							
Hypothekenbk In Essen(g)‡	3bn	(g1)	100.058R	May 1999	0.10R	-	Commerzbank/CCF
ITALIAN LIRE							
Deutsche Bank Finance(s)	200bn	6.50	101.065	Dec 1999	1.25	-	Deutsche Morgan Grenfell
DANISH KRONER							
BCEE	400	6.00	101.90	May 2003	1.875	-	BCEE/Generale Bank
NEW ZEALAND DOLLARS							
Commerzbank O'seas Fin	100	8.50	101.225	May 2002	1.875	-	Toronto Dominion Bank
KOREAN WON							
EBRD(h)	23.7bn	10.00#	100.25R	May 2002	0.40R	-	Merrill Lynch Far East

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. §Convertible. фWith equity warrants. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Ford Credit Auto Loan Master Trust. Legal maturity: 15/4/04. 10% cleanup call. Average life: 5 yrs. a1) Price today: 3-mth Libor +8bp area. b) Convertible into London listed GDRs at indicated premium of 20-25%. Redemption price: Treasuries +150-175bp. Callable after 3 yrs subject to 140% hurdle. c) Conversion price: HK$8.50. FX: 7.749HK$/US$. Redemption price: 131%. Callable from 18/4/00 subject to 135% hurdle. Managers option: $35m. d) Coupons in respective years: 6, 6¼, 6½, 7, 8½. e) Fixing: 18/4/97. f) Short 1st & 2nd coupons. g) Oeffentliche Pfandbriefe. g1) 3-mth Pibor -⅛%. h) International tranche of Won94.8bn deal. j) $150m launched 19/3/97 was increased to $200m. Callable on 23/4/99 at par. i) Long 1st coupon. s) Short 1st coupon.

CAPITAL MARKETS DIGEST

Lukoil to issue convertible bonds

Lukoil, the largest oil producer in the Confederation of Independent States, with a market capitalisation of $10bn, yesterday announced the launch of $200m of five-year bonds convertible into the company's London-listed global depositary receipts. GDRs are international certificates traded in lieu of domestic shares held in custody.

The bonds will be offered primarily to European investors, but the paper will also be available to US institutions under Rule 144a of the Securities and Exchange Commission. A road-show, which started in Switzerland yesterday, will stop in London today before proceeding to the US. The transaction will be jointly lead-managed by NatWest Markets, Paribas and SBC Warburg.

The issue is expected to be priced later this week, with a coupon of between 3½ and 4 per cent and a conversion premium of 20 to 25 per cent over Lukoil shares.

Samer Iskandar

Risk index from JP Morgan

J. P. Morgan, the US investment bank, has announced a new index designed to measure shifts in the willingness of investors to take or avert risks across global bond and currency markets. The index compares long-term volatility – which it uses as a measure of risk – with returns over the past month for 14 bond and currency markets.

Through this comparison the so-called Global Risk Appetite Index generates one number – ranking from plus 1.00 to minus 1.00 – which allows the measurement of investors' preference for risk across different markets.

Mr Avinash Persaud, head of currency research at J. P. Morgan, says the willingness of investors to take or avert risks – what it calls "risk appetite" – drives market behaviour over short periods of between one and three months, although fundamental economic forces are more influential in the longer run. Risk appetite is driven by levels of volatility and interest rates in the biggest economies, as well as the earnings expectations of investors. Previous levels of risk appetite are also important.

On this basis, Mr Persaud predicts that the market's appetite for risk will remain "subdued in the weeks ahead and is likely to fall further in the near future, especially if the US Federal Reserve tightens monetary policy". He says that high-yielding and less liquid markets tend to under-perform and bond market yield curves tend to steepen when appetite for risk is low.

In the options markets volatility tends to rise as investor demand for hedging grows. Of the main currencies sterling, the Italian lira and Swedish krone tend to strengthen as risk appetite grows, as do a number of emerging markets. The dollar is also modestly positively correlated. By contrast the D-Mark and yen do better as risk appetite declines.

Richard Lapper, Capital Markets Editor

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	91.5486	-0.440	6.03	8.00	7.85
Austria		5.750	04/07	98.3600	+0.040	5.97	5.89	5.56
Belgium		6.250	03/07	101.3500	+0.050	6.06	6.04	5.67
Canada *		7.000	12/06	100.7200	+0.300	6.89	6.87	6.42
Denmark		8.000	09/06	108.8400	+0.080	6.65	6.63	6.28
France	BTAN	4.750	03/02	102.6744	+0.120	4.83	4.81	4.40
	OAT	5.500	04/07	97.8000	+0.150	5.79	5.81	5.38
Germany Bund		6.000	01/07	100.4200	+0.180	5.94	5.90	5.55
Ireland		6.000	08/06	107.7800	+0.150	6.84	6.82	6.50
Italy		6.750	02/07	94.8100	+0.530	7.51†	7.51	7.37
Japan	No 143	8.300	09/01	120.1393	-0.090	1.46	1.39	1.37
	No 182	3.000	09/05	105.8772	-0.110	2.18	2.10	2.41
Netherlands		5.750	02/07	99.2600	+0.080	5.85	5.80	5.34
Portugal		8.500	02/06	117.6700	+0.340	6.78	6.79	6.70
Spain		7.350	03/07	103.3500	+0.510	6.86	6.87	6.96
Sweden		8.000	08/07	105.9278	+0.370	7.18	7.26	6.87
UK Gilts		7.000	06/02	98-22	+5/32	7.31	7.32	6.86
		7.250	12/07	97-05	+8/32	7.64	7.66	7.24
		9.000	10/08	109-17	+8/32	7.74	7.71	7.33
US Treasury *		6.250	02/07	94-29	+2/32	6.97	6.87	6.58
		6.625	02/27	93-09	+1/32	7.17	7.06	6.84
ECU (French Govt)		7.000	04/06	105.6000	+0.150	6.17	6.17	5.93

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8½	One month	-	Two year	6.52
Broker loan rate	7¾	Two month		Three year	8.68
Fed.funds	5½	Three month	5.30	Five year	6.85
Fed.funds at intervention	-	Six month	5.65	10-year	6.97
		One year	6.02	30-year	7.17

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	128.26	128.26	+0.04	128.38	128.04	67,582	163,456
Sep	126.58	126.60	+0.04	126.58	126.58	2	5,233
Dec	96.36	96.26	+0.04	96.24	96.24	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls May	Calls Jun	Calls Sep	Puts May	Puts Jun	Puts Sep
127	1.31	1.64	1.30	0.09	0.43	1.74
128	0.55	1.00	0.90	0.33	0.78	2.32
129	0.15	0.51	0.58	0.93	1.29	2.99
130	0.02	0.22	0.34	1.80	1.99	-
131	0.01	0.08	0.20	2.79	2.84	-

Est. vol. total, Calls 10,357 Puts 14,318. Previous day's open int., Calls 126,153 Puts 144,949.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	99.87	99.91	+0.11	100.01	99.70	128291	261765
Sep	98.96	98.91	+0.11	98.96	98.80	625	7091

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
9950	0.60	0.94	0.68	1.03	0.19	0.53	1.27	1.62
10000	0.30	0.66	0.50	0.82	0.39	0.75	1.59	1.91
10050	0.12	0.43	0.35	0.64	0.71	1.02	1.94	2.23

Est. vol. total, Calls 10795 Puts 11435. Previous day's open int., Calls 227927 Puts 260983

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	127.22	128.17	+0.89	128.51	127.20	60618	109413
Sep	127.80	128.10	+0.88	128.30	127.80	310	3953

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
12800	1.35	2.39	1.18	2.29
12850	1.08	2.12	1.41	2.52
12900	0.84	1.86	1.67	2.79

Est. vol. total, Calls 5221 Puts 3881. Previous day's open int., Calls 105436 Puts 108380

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	112.81	113.42	+0.51	113.58	112.80	61,339	76,902
Sep	-	112.58	-	-	-	-	3

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	108-18	108-27	+0-08	108-31	108-18	35265	172327
Sep		108-21	+0-08			0	2635

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
108	1-03	1-37	1-52	2-23	0-13	0-47	1-10	1-45
109	0-27	1-00	1-18	1-54	0-37	1-10	1-40	2-12
110	0-08	0-38	0-55	1-26	1-18	1-48	2-13	2-48

Est. vol. total, Calls 1084 Puts 1744. Previous day's open int., Calls 69859 Puts 34017

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	93.94	94.02	+0.06	94.06	93.68	1,910	6,857

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	106-20	106-22	+0-02	106-23	106-15	447,288	426,270
Sep	106-07	106-07	+0-01	106-07	106-04	1,422	35,252
Dec	-	105-25	-	-	-	1,395	6,168

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	126.49			126.52	126.45	1068	n/a
Sep	125.20			125.25	125.20	98	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Mon Apr 14	Day's change %	Fri Apr 11	Accrued interest	xd adj. ytd		Low coupon yield Apr 14	Apr 11	Yr. ago	Medium coupon yield Apr 14	Apr 11	Yr. ago	High coupon yield Apr 14	Apr 11	Yr. ago
1 Up to 5 years (19)	120.00	0.10	119.89	2.43	3.40	5 yrs	7.35	7.39	7.56	7.41	7.44	7.58	7.45	7.48	7.68
2 5-15 years (20)	148.64	0.22	148.31	2.96	2.89	15 yrs	7.78	7.79	8.23	7.79	7.81	8.25	7.69	7.73	8.32
3 Over 15 years (7)	168.47	0.22	168.10	4.79	3.18	20 yrs	7.85	7.85	8.29	7.81	7.83	8.30	7.69	7.74	8.36
4 Irredeemables (5)	193.00	-0.18	193.37	4.02	2.37	Irred.†	7.90	7.89	8.32						
5 All stocks (51)	143.23	0.18	142.98	3.12	3.21										

Index-linked	Mon Apr 14	Day's change %	Fri Apr 11	Accrued interest	xd adj. ytd		Inflation 5% Apr 14	Apr 11	Yr. ago	Inflation 10% Apr 14	Apr 11	Yr. ago
6 Up to 5 years (2)	203.69	0.06	203.56	1.07	2.16	Up to 5 yrs	3.38	3.40	3.00	2.70	2.71	1.73
7 Over 5 years (10)	194.26	0.18	193.92	1.15	2.32	Over 5 yrs	3.66	3.66	3.74	3.47	3.48	3.55
8 All stocks (12)	194.20	0.16	193.88	1.14	2.28							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Apr 14	Apr 11	Apr 10	Apr 9	Apr 8	Yr ago	High*	Low*
Govt. Secs. (UK)	93.64	93.46	93.60	93.83	93.60	92.36	96.62	93.31
Fixed Interest	116.41	116.47	116.63	116.61	116.62	111.80	120.18	115.32

Gilt Edged Activity Indices

	Apr 11	Apr 10	Apr 8	Apr 8	Apr 7
Gilt Edged bargains	NA	13.0	17.9	14.2	20.5
5-day average	NA	18.6	25.5	28.7	37.4

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts" (Lives up to Five Years)							
Treas Cnv 7pc 1997‡‡		6.98	6.19	100$\frac{5}{32}$	—	101$\frac{5}{32}$	100$\frac{1}{4}$
Treas 8¾pc 1997‡‡		8.67	6.15	100$\frac{29}{32}$	—	107$\frac{13}{16}$	100$\frac{13}{16}$
Exch 15pc 1997		14.35	6.29	104½	-$\frac{1}{16}$	114⅝	102$\frac{15}{16}$
Exch 9¾pc 1998		9.52	6.45	102⅛	—	106$\frac{11}{16}$	100⅛
Treas 7¼pc 1998‡‡		7.21	6.56	100$\frac{19}{32}$	+$\frac{1}{16}$	109$\frac{13}{16}$	100$\frac{3}{16}$
[illegible]							

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Treas 7¾pc 2006‡‡		7.72	7.68	100$\frac{13}{32}$	+$\frac{3}{8}$	107¼	96$\frac{3}{8}$
Treas 8pc 2002-6‡‡		7.90	7.59	101$\frac{5}{16}$	+$\frac{3}{8}$	104$\frac{7}{8}$	98¾
Treas 11¾pc 2003-7		9.84	7.82	119$\frac{15}{32}$	+$\frac{3}{8}$	124$\frac{7}{8}$	115¾
Treas 8½pc 2007 ‡‡		8.04	7.69	105$\frac{23}{32}$	+$\frac{7}{8}$	110$\frac{13}{16}$	101$\frac{3}{16}$
Treas 7 1/4pc 2007‡‡		7.46	7.64	97$\frac{5}{32}$	+$\frac{7}{8}$	102$\frac{13}{16}$	96$\frac{3}{4}$
[illegible]							

	Notes	Yield (1)	Yield (2)	Price £	+ or -	52 week High	52 week Low
Index-Linked	(b)						
4⅝pc '98‡‡	(135.6)	-	2.31	114	+$\frac{1}{16}$	114⅝	112$\frac{1}{4}$
2½pc '01	(78.3)	2.86	3.44	186$\frac{5}{8}$	+$\frac{1}{8}$	187$\frac{13}{16}$	178$\frac{1}{4}$
2½pc '03	(78.8)	3.10	3.53	181$\frac{3}{8}$	+$\frac{1}{8}$	184$\frac{3}{8}$	173$\frac{13}{16}$
4⅜pc '04‡‡	(135.6)	3.15	3.53	117$\frac{11}{32}$	+$\frac{1}{8}$	120$\frac{3}{8}$	113$\frac{13}{16}$
2pc '06	(69.5)	3.29	3.58	190⅝	+$\frac{1}{4}$	193$\frac{13}{16}$	181¼
[illegible]							

Other Fixed Interest

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on April 14

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 05	1000	95⅞	96½	-⅛	7.26
ABN Amro Bank 7¼ 05	1000	98¾	99⅞	-⅛	7.68
African Dev Bk 7¾ 23	500	95½	95⅞		7.78
Alberta Province 7⅜ 99	1000	101¼	101½	-⅛	6.71
Spain 7¼ 05	4000	109½	109⅝	+⅛	5.32
Volkswagen Intl Fin 7 03	1000	108⅞	107⅛	-⅛	5.84
World Bank 5⅞ 03	3000	103	103⅛	+⅛	5.32
World Bank 6⅛ 02	3000	104¾	104⅞	+¼	8.10
World Bank 7⅛ 05	3000	108½	109⅝	+⅛	5.77
Abbey Natl Treasury 8 03 £	1000	100⅞	100⅝	+⅛	7.92
British Land 8⅞ 23 £	150	99	99⅞	+¼	9.17
Denmark 6¾ 98 £	500	99⅝	99⅞		7.01
Depfa Finance 7⅛ 05 £	500	95¾	99	+⅛	7.97
EIB 8 00 £	1000	101½	101⅝	+⅛	7.89
[illegible]					

CURRENCIES AND MONEY

Resilient dollar seen rising further

MARKETS REPORT

By Simon Kuper

The dollar inched higher against the yen yesterday, despite Friday's slide in US shares and renewed Japanese threats to sell the US currency in the market.

Foreign exchange strategists were impressed by the dollar's resilience. They said this suggested the currency could hit Y130 against the yen swiftly. Mr Paul Meggyesi, senior currency economist at Deutsche Morgan Grenfell in London, said many investors were hoping for a Japanese intervention because they would then be able to buy dollars at a cheaper rate. "The short term market is wary of intervention, but the investment flows still remain compelling for a weaker yen," he said.

The dollar closed Y0.2 up in London yesterday at Y126.3. It was barely changed against the D-Mark at DM1.723.

Mr Hiroshi Mitsuzuka, Japanese finance minister, yesterday repeated his comment of last week that Japan would act decisively against excessive moves in exchange rates. Action would come "at an appropriate time". Selling dollars in the market could be an option, he said, adding that Japan had been in close contact with US authorities.

The market is unsure to what extent the US would back intervention by Japan.

Sterling slipped 0.6 pfennigs against the D-Mark to DM2.796, on tame UK producer price data.

■ Last week's Wall Street slide should not dent the dollar, according to a study by J.P.Morgan of 48 crashes in the Dow Jones Industrial Average since January 1982.

The Dow ended a poor week by falling 148 points on Friday, to close below the level at which it began 1997. Mr Avinash Persaud, currency strategist for J.P.Morgan in London, says a share fall tends to hurt the dollar if it dissuades the Federal Reserve from raising interest rates. This time, however, the Fed seems unlikely to be deterred. Inflationary pressures are mounting in the US and the economy is booming.

The currency market realises this, which is why the dollar emerged unscathed from the wreckage of the US asset markets last week. The dollar is also benefiting from the fact that investors are less overweight in the currency than they were some months ago, says Mr Persaud.

He thinks Japan is unlikely to try to intervene to block the dollar. A strong dollar would hurt Japan if it created inflation, he says. There is no inflationary risk in Japan now. Nor is the US keen to see the dollar fall. So the currency is unlikely to drop with the Dow as it did with US Treasuries in 1994.

Mr Persaud believes the recent Japanese threats of intervention are meant to slow the dollar's rise, rather than to reverse it. "The Japanese want a trend in the dollar, not a vertical jump."

■ The growing belief that European monetary union will occur on schedule, with a broad group of countries participating, is buoying Italian, Spanish and Portuguese currencies and bonds. The J.P.Morgan Emu calculator shows that over the last three weeks the markets have raised their expectations that Spain will join Emu by about 15 per cent. Yesterday the lira, peseta and escudo all firmed slightly against the D-Mark.

Given the strong peseta and last week's soft March inflation data, the Bank of Spain is expected to cut interest rates by at least 25 basis points today.

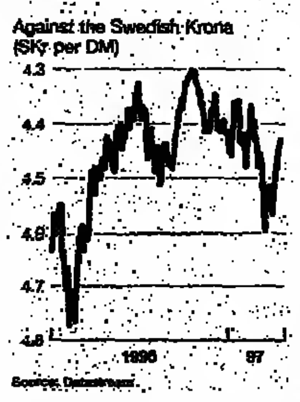
A rate cut should boost the peseta, currency strategists say. That is because Spain, like Italy and Portugal, has much debt denominated in floating rates. If rates fall, its debt burden falls too, and its chance of meeting the budget deficit criterion for Emu rises.

■ The Swedish krona, the strongest currency against the D-Mark over the past month, rose again yesterday ahead of today's presentation of Sweden's spring budget to parliament. The currency went from SKr4.458 to SKr4.428 to the D-Mark.

Its rise has been prompted by the fading of fear in the market that the budget will be fiscally loose, and by Sweden's strong economic fundamentals. But Mr Persaud says the krona is now expensive, and advises investors to sell if it advances past SKr4.40 to the D-Mark.

D-Mark

Against the Swedish Krona (SKr per DM)



Source: Datastream

■ Pound in New York

Apr 14	—Latest—	— Prev. close —
£ spot	1.6225	1.6285
1 mth	1.6220	1.6258
3 mth	1.6204	1.6243
1 yr	1.6184	1.6188

■ OTHER CURRENCIES

Apr 14	£	$
Czech Rp	49.0845 - 49.1767	30.2580 - 30.2980
Hungary	292.823 - 293.051	180.510 - 180.550
Iran	4869.30 - 4866.60	3000.00 - 3000.00
Kuwait	0.4933 - 0.4937	0.3041 - 0.3042
Poland	5.0813 - 5.0899	3.1200 - 3.1230
Russia	9311.43 - 9318.22	5740.00 - 5741.00
U.A.E.	5.9579 - 5.9616	3.6727 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Apr 14		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.6802	-0.0365	698 - 905	19.7359	19.6441	19.6387	2.7	19.5802	2.0	-	-	103.3
Belgium	(BFr)	57.6122	-0.2035	881 - 363	57.8550	57.5750	57.4872	2.6	57.2272	2.7	55.9022	3.0	103.0
Denmark	(DKr)	10.6487	-0.0219	441 - 532	10.6931	10.6306	10.6267	2.6	10.5832	2.5	10.3732	2.6	105.4
Finland	(FM)	8.3505	-0.0182	419 - 591	8.3800	8.3400	-	-	-	-	-	-	82.8
France	(FFr)	9.4047	-0.0201	008 - 085	9.4431	9.3867	9.3826	2.8	9.3389	2.8	9.1216	3.0	106.1
Germany	(DM)	2.7964	-0.0051	951 - 976	2.8049	2.7906	2.7898	2.9	2.7763	2.9	2.7095	3.1	104.6
Greece	(Dr)	439.705	-0.834	389 - 022	440.981	438.798	-	-	-	-	-	-	66.0
Ireland	(I£)	1.0513	+0.0009	503 - 523	1.0525	1.0485	1.051	0.3	1.0501	0.5	1.0435	0.7	101.6
Italy	(L)	2748.93	-11.13	736 - 051	2765.23	2744.44	2752.33	-1.5	2757.19	-1.2	2759.98	-0.4	76.6
Luxembourg	(LFr)	57.6122	-0.2035	881 - 363	57.8550	57.5750	57.4872	2.6	57.2272	2.7	55.9022	3.0	103.0
Netherlands	(Fl)	3.1435	-0.0059	420 - 449	3.1526	3.1375	3.1354	3.1	3.1198	3.0	3.0441	3.2	102.7
Norway	(NKr)	11.2997	-0.0321	925 - 068	11.3645	11.2859	11.2752	2.6	11.2267	2.6	11.0012	2.6	100.9
Portugal	(Es)	279.372	-0.686	229 - 514	280.558	277.577	279.512	-0.6	279.797	-0.6	-	-	94.8
Spain	(Pta)	235.309	-0.593	203 - 414	236.330	234.790	235.442	-0.7	235.309	0.0	233.834	0.6	78.0
Sweden	(SKr)	12.3782	-0.1167	707 - 857	12.4993	12.3567	12.3592	1.6	12.3197	1.9	12.1237	2.1	85.3
Switzerland	(SFr)	2.3829	-0.0024	814 - 843	2.3845	2.3739	2.374	4.5	2.3562	4.5	2.272	4.7	109.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	99.4
Ecu	-	1.4302	-0.0042	295 - 309	1.4400	1.4284	1.428	1.8	1.4233	1.9	1.3982	2.2	-
SDR†	-	1.187736	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6224	-0.0018	218 - 229	1.6313	1.6200	-	-	-	-	-	-	-
Brazil	(R$)	1.7197	-0.0011	190 - 203	1.7284	1.7172	-	-	-	-	-	-	-
Canada	(C$)	2.2686	-0.0011	675 - 696	2.2801	2.2656	2.2628	3.1	2.252	2.8	2.2074	2.7	84.0
Mexico	(New Peso)	12.8208	-0.0506	080 - 322	12.8099	12.8074	-	-	-	-	-	-	-
USA	($)	1.6227	-0.0023	222 - 231	1.6321	1.6208	1.6221	0.4	1.6204	0.6	1.6148	0.5	106.0
Pacific/Middle East/Africa													
Australia	(A$)	2.0824	+0.0154	811 - 836	2.0869	2.0735	2.0823	0.1	2.0815	0.2	2.0774	0.2	98.6
Hong Kong	(HK$)	12.5747	-0.017	704 - 790	12.6462	12.5609	12.5701	0.4	12.5591	0.5	12.518	0.4	-
India	(Rs)	58.1639	-0.0967	810 - 366	58.3880	58.0820	-	-	-	-	-	-	-
Israel	(Shk)	5.5217	+0.0002	150 - 284	5.5335	5.5138	-	-	-	-	-	-	-
Japan	(Y)	205.006	+0.035	900 - 111	206.000	204.680	204.036	5.7	202.178	5.5	193.566	5.6	120.4
Malaysia	(M$)	4.0713	+0.0008	693 - 732	4.0900	4.0652	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3447	+0.0044	432 - 462	2.3514	2.3415	2.3476	-1.5	2.3527	-1.4	2.3729	-1.2	116.3
Philippines	(Peso)	42.7763	-0.0623	287 - 239	42.8292	42.7275	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0858	-0.0085	839 - 878	6.1207	6.0791	-	-	-	-	-	-	-
Singapore	(S$)	2.3391	-0.0025	378 - 405	2.3478	2.3372	-	-	-	-	-	-	-
South Africa	(R)	7.2330	+0.0036	285 - 374	7.2829	7.2255	-	-	-	-	-	-	-
South Korea	(Won)	1451.46	+0.38	781 - 511	1460.05	1447.49	-	-	-	-	-	-	-
Taiwan	(T$)	44.8178	-0.0473	727 - 625	45.0190	44.7606	-	-	-	-	-	-	-
Thailand	(Bt)	42.3269	-0.0599	070 - 467	42.5490	42.2700	-	-	-	-	-	-	-

1 Rates for Apr 11. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 14		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	12.1284	-0.0053	254 - 314	12.1365	12.0750	12.1136	1.5	12.0684	2.0	11.8734	2.1	103.1
Belgium	(BFr)	35.5050	-0.075	000 - 100	35.5700	35.4300	35.445	2.0	35.3175	2.1	34.7775	2.0	103.1
Denmark	(DKr)	6.5625	-0.0042	915 - 695	6.5685	6.5419	6.5536	1.6	6.5352	1.7	6.4635	1.7	104.9
Finland	(FM)	5.1462	-0.0039	423 - 501	5.1505	5.1301	5.1374	2.1	5.1187	2.1	5.0362	2.1	82.4
France	(FFr)	5.7959	-0.0041	951 - 966	5.8000	5.7775	5.7852	2.2	5.7642	2.2	5.6559	2.4	105.7
Germany	(DM)	1.7233	-0.0008	230 - 236	1.7247	1.7172	1.7201	2.2	1.7136	2.3	1.6799	2.5	104.2
Greece	(Dr)	270.980	-0.13	860 - 100	271.220	270.040	272.535	-6.9	275.105	-6.1	286.13	-5.6	65.9
Ireland	(I£)	1.5435	-0.0036	425 - 445	1.5555	1.5415	1.5431	0.3	1.5425	0.3	1.5438	0.0	-
Italy	(L)	1694.10	-4.45	360 - 460	1698.10	1691.50	1697.1	-2.1	1701.95	-1.9	1711.75	-1.0	76.0
Luxembourg	(LFr)	35.5050	-0.075	000 - 100	35.5700	35.4300	35.445	2.0	35.3175	2.1	34.7775	2.0	103.1
Netherlands	(Fl)	1.9373	-0.0009	369 - 376	1.9399	1.9302	1.9335	2.4	1.9255	2.4	1.89	2.4	102.6
Norway	(NKr)	6.9637	-0.0099	612 - 662	7.0043	6.9480	6.96	0.9	6.9543	0.5	6.9287	0.5	100.3
Portugal	(Es)	172.170	-0.19	130 - 210	172.300	171.080	172.3	-0.9	172.45	-0.7	172.185	0.0	95.1
Spain	(Pta)	145.015	-0.16	990 - 040	145.170	144.770	145.105	-0.7	145.225	-0.6	145.02	0.0	77.8
Sweden	(SKr)	7.6284	-0.061	259 - 309	7.6738	7.6168	7.6256	0.4	7.6158	0.7	7.5694	0.8	84.4
Switzerland	(SFr)	1.4685	+0.0006	680 - 690	1.4691	1.4572	1.4637	3.9	1.4543	3.9	1.4087	4.1	103.8
UK	(£)	1.6227	-0.0023	222 - 231	1.6321	1.6208	1.6221	0.4	1.6204	0.6	1.6148	0.5	99.4
Ecu	-	1.1346	+0.0017	343 - 348	1.1366	1.1333	1.1358	-1.2	1.1383	-1.3	1.1536	-1.7	-
SDR†	-	0.731229	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	+0.0004	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0598	+0.0008	597 - 599	1.0600	1.0592	-	-	-	-	-	-	-
Canada	(C$)	1.3981	+0.0013	978 - 983	1.3983	1.3970	1.3952	2.4	1.39	2.3	1.3698	2.1	83.9
Mexico	(New Peso)	7.9010	-0.02	960 - 060	7.9080	7.8850	8.019	-17.9	8.2855	-19.5	9.146	-15.8	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	106.6
Pacific/Middle East/Africa													
Australia	(A$)	1.2833	+0.0113	829 - 837	1.2840	1.2787	1.284	-0.7	1.2848	-0.5	1.2901	-0.5	101.5
Hong Kong	(HK$)	7.7495	+0.0005	490 - 500	7.7510	7.7485	7.7494	0.0	7.75	0.0	7.761	-0.1	-
India	(Rs)	35.8450	-0.01	100 - 800	35.8900	35.8000	36.06	-7.2	36.52	-7.5	-	-	-
Israel	(Shk)	3.4029	+0.005	997 - 061	3.4072	3.3959	-	-	-	-	-	-	-
Japan	(Y)	126.340	+0.2	310 - 370	126.560	125.870	125.805	5.1	124.78	4.9	119.98	5.0	121.7
Malaysia	(M$)	2.5090	+0.004	085 - 095	2.5100	2.5055	2.5119	-1.4	2.5172	-1.3	2.5385	-1.2	-
New Zealand	(NZ$)	1.4450	+0.0048	445 - 455	1.4457	1.4407	1.4473	-1.9	1.4518	-1.8	1.4723	-1.9	-
Philippines	(Peso)	26.3620	-0.001	400 - 840	26.3840	26.3400	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	504 - 506	3.7507	3.7503	3.7508	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.4415	+0.0005	410 - 420	1.4425	1.4384	1.4393	1.8	1.4347	1.9	1.4135	1.9	-
South Africa	(R)	4.4575	+0.0085	560 - 590	4.4595	4.4480	4.4982	-11.0	4.5732	-10.4	4.888	-9.7	-
South Korea	(Won)	894.500	+1.5	500 - 500	897.000	892.300	-	-	-	-	-	-	-
Taiwan	(T$)	27.6200	+0.01	000 - 400	27.6410	27.5830	27.6201	0.0	27.6203	0.0	-	-	-
Thailand	(Bt)	26.0850	-	800 - 900	26.0950	26.0720	26.175	-4.1	26.3425	-3.9	26.98	-3.4	-

1 SDR rate per $ for Apr 11. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Apr 11: Base average 1990=100. The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

April 14	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.10	-	4.75
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.00
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.25	6.75	7.34
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	½	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.52	5.67	5.82	6.17	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Apr 14	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.67	96.66	-0.01	96.67	96.66	4,795	57,550
Sep	96.59	96.58	-0.01	96.59	96.57	3,503	49,132
Dec	96.47	96.47	-	96.48	96.46	2,078	31,294

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.73	96.74	+0.01	96.74	96.73	18614	226061
Sep	96.65	96.66	+0.01	96.67	96.64	15687	198646
Dec	96.47	96.49	+0.01	96.49	96.47	22993	218609
Mar	96.32	96.31	-0.01	96.32	96.30	15403	168164

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Apr	96.78	96.77	-	96.78	96.78	10	7333
May	96.77	96.77	-0.01	96.77	96.76	903	3866
Jun		96.77	-0.01			0	725
Jul	96.76	96.76	-0.01	96.76	96.76	50	0

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.04	93.19	+0.14	93.18	93.04	18801	106084
Sep	93.40	93.50	+0.11	93.53	93.40	11420	69620
Dec	93.56	93.63	+0.09	93.65	93.56	8844	42289
Mar	93.59	93.65	+0.09	93.67	93.58	2007	26809

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	98.04	98.07	+0.04	98.08	98.04	2318	55565
Sep	98.03	98.03	+0.03	98.04	98.02	2075	30180
Dec	97.87	97.89	+0.04	97.89	97.97	762	17819
Mar	97.75	97.78	+0.04	97.77	97.75	153	7704

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		99.35	-			0	n/a
Sep		99.23	+0.02			0	n/a
Dec		99.06	+0.02			0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.84	95.84	+0.01	95.85	95.84	344	8034
Sep	95.77	95.77	+0.01	95.78	95.77	75	4822
Dec	95.68	95.67	+0.01	95.69	95.67	147	5339
Mar		95.59	+0.02			0	3819

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9300	0.32	0.67	0.84	0.13	0.17	0.21
9325	0.18	0.48	0.67	0.24	0.23	0.29
9350	0.08	0.32	0.51	0.39	0.32	0.38

Est. vol. total, Calls 5650 Puts 951. Previous day's open int., Calls 146763 Puts 63416

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 14		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.49	16.33	4.853	1.824	4772	5.457	19.61	485.0	408.4	21.49	4.136	1.736	3.939	2.817	355.8	2.462
Denmark	(DKr)	54.09	10	8.831	2.625	0.987	2581	2.952	10.61	262.3	220.9	11.62	2.238	0.939	2.131	1.524	192.5	1.343
France	(FFr)	61.25	11.32	10	2.973	1.117	2923	3.343	12.01	297.1	250.2	13.16	2.534	1.063	2.413	1.726	218.0	1.520
Germany	(DM)	20.60	3.809	3.364	1	0.376	983.2	1.124	4.041	99.93	84.16	4.428	0.852	0.358	0.812	0.580	75.32	0.511
Ireland	(I£)	54.81	10.13	8.949	2.660	1	2618	2.991	10.75	265.8	223.9	11.78	2.267	0.951	2.159	1.544	195.1	1.361
Italy	(L)	2.096	0.387	0.342	0.102	0.038	100.	0.114	0.411	10.16	9.559	0.450	0.087	0.036	0.083	0.059	7.457	0.052
Netherlands	(Fl)	18.32	3.387	2.991	0.889	0.334	874.4	1	3.594	88.87	74.84	3.938	0.758	0.318	0.722	0.518	65.20	0.455
Norway	(NKr)	50.98	9.425	8.323	2.474	0.930	2433	2.782	10	247.3	208.2	10.96	2.109	0.885	2.008	1.436	181.4	1.265
Portugal	(Es)	20.62	3.812	3.366	1.001	0.376	983.9	1.125	4.044	100.	84.22	4.431	0.853	0.358	0.812	0.581	73.37	0.512
Spain	(Pta)	24.48	4.528	3.997	1.188	0.447	1168	1.336	4.802	118.7	100.	5.261	1.013	0.425	0.964	0.690	87.12	0.608
Sweden	(SKr)	46.53	8.603	7.597	2.258	0.849	2221	2.540	9.128	225.7	190.1	10	1.925	0.806	1.833	1.311	165.6	1.155
Switzerland	(SFr)	24.18	4.469	3.947	1.173	0.441	1154	1.318	4.742	117.2	98.74	5.195	1	0.420	0.952	0.681	86.03	0.600
UK	(£)	57.61	10.65	9.405	2.796	1.051	2749	3.144	11.30	279.4	235.3	12.38	2.383	1	2.269	1.623	205.0	1.430
Canada	(C$)	25.39	4.694	4.145	1.232	0.463	1212	1.386	4.980	123.1	103.7	5.456	1.050	0.441	1	0.715	90.35	0.630
US	($)	35.50	6.562	5.795	1.723	0.648	1694	1.937	6.962	172.2	145.0	7.628	1.468	0.616	1.398	1	126.3	0.881
Japan	(Y)	28.10	5.195	4.588	1.364	0.513	1341	1.534	5.512	136.3	114.8	6.039	1.162	0.488	1.107	0.792	100.	0.698
Ecu		40.29	7.448	6.577	1.955	0.735	1922	2.199	7.902	195.4	164.5	8.657	1.666	0.690	1.587	1.135	143.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5836	0.5834	-0.0004	0.5851	0.5828	20,409	79,972
Sep	-	0.5874	-0.0004	-	0.5874	80	2,642
Dec	-	0.5921	-	-	-	61	249

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8000	0.7996	-0.0012	0.8018	0.7975	14,319	84,418
Sep	0.8107	0.8107	-0.0013	0.8107	0.8106	35	1,324
Dec	0.8230	0.8220	-0.0016	0.8220	0.8220	3	612

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6883	0.6870	-0.0020	0.6914	0.6856	14,462	42,775
Sep	0.6936	0.6939	-0.0020	0.6939	0.6935	72	2,105
Dec	-	0.7034	-	-	-	1	378

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6278	1.6212	-0.0056	1.6308	1.6210	4,855	36,191
Sep	1.6240	1.6190	-0.0052	1.6240	1.6190	48	865
Dec	-	1.6180	-0.0050	-	1.6160	11	101

UK INTEREST RATES

LONDON MONEY RATES

Apr 14	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc. Ave. tender rate of discount on Apr 11, 5.9853pc. ECGD fixed rate Stlg. Export Finance. Make up day Mar 27, 1997. Agreed rate for period Apr 22, 1997 to May 25, 1997, Scheme III 7.53pc. Reference rate for period Mar 1, 1997 to Mar 27, 1997, Schemes IV & V 6.282pc. Finance House Base Rate 6½pc from Apr 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.37	93.40	+0.03	93.41	93.37	11065	117233
Sep	93.09	93.14	+0.06	93.15	93.08	17067	94092
Dec	92.84	92.90	+0.07	92.92	92.83	13339	71558
Mar	92.68	92.73	+0.06	92.74	92.66	3989	49868
Jun	92.56	92.60	+0.06	92.61	92.55	2267	40848

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9325	0.21	0.14	0.14	0.06	0.25	0.49
9350	0.06	0.06	0.07	0.16	0.42	0.67
9375	0.01	0.02	0.03	0.36	0.63	0.88

Est. vol. total, Calls 1025 Puts 600. Previous day's open int., Calls 160959 Puts 156559

EMS EUROPEAN CURRENCY UNIT RATES

Apr 14	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Portugal	197.398	195.956	-0.102	-0.73	2.91	5
Finland	5.85424	5.86176	+0.00544	0.13	2.03	-1
Ireland	0.798709	0.736298	+0.001183	-7.81	10.82	53
Spain	163.826	165.131	-0.14	0.80	1.35	-6
Italy	1906.48	1928.81	-5.23	1.17	0.97	-8
Netherlands	2.16979	2.20532	-0.00004	1.64	0.51	-12
Denmark	7.34555	7.47140	-0.00055	1.71	0.44	-12
Germany	1.92573	1.96151	-0.00011	1.86	0.29	-16
Belgium	39.7191	40.4687	-0.0016	1.89	0.27	-14
Austria	13.5485	13.8052	-0.0002	1.89	0.26	-14
France	6.45863	6.59797	-0.00071	2.16	0.00	-16
NON ERM MEMBERS						
Greece	295.269	308.251	-0.249	4.40	-2.14	-
UK	0.793103	0.701552	+0.001589	-11.54	15.49	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Apr	May	Jun	PUTS Apr	May	Jun
1.630	-	1.42	2.03	0.12	1.61	2.20
1.640	-	1.01	1.51	1.04	2.20	2.72
1.650	-	0.69	1.15	2.04	2.82	-

Previous day's vol., Calls 825 Puts 301. Prev. day's open int., Calls 32,271 Puts 33,889

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Apr	May	Jun	PUTS Apr	May	Jun
0.595	-	0.23	0.43	1.33	1.45	1.58
0.600	-	0.14	0.32	1.90	1.87	1.95
0.605	-	0.08	0.23	2.40	-	2.38

Previous day's vol., Calls 1,223 Puts 2,700. Prev. day's open int., Calls 31,076 Puts 40,089

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	93.99	93.98	-0.01	93.99	93.97	153,733	507,733
Sep	93.66	93.65	-0.02	93.66	93.65	186,334	415,207
Dec	93.35	93.33	-0.01	93.35	93.32	145,676	302,092

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.56	94.56	-0.02	94.56	94.55	548	7,303
Sep	94.26	94.25	-	94.26	94.25	443	3,761
Dec	-	94.50	-	-	-	-	-

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Apr	May	Jun	Sep	PUTS Apr	May	Jun	Sep
9650	0.24	0.24	0.24	0.20	0	0	0	0.04
9675	0	0.03	0.05	0.05	0.01	0.04	0.08	0.14
9700	0	0	0	0.01	0.26	0.26	0.26	0.35

Est. vol. total, Calls 5345 Puts 675. Previous day's open int., Calls 457064 Puts 258375

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9825	0.05	0.09	0.16	0.23	0.31	0.52
9850	0.01	0.03	0.08	0.44	0.50	0.69

Est. vol. total, Calls 0 Puts 100. Previous day's open int., Calls 1150 Puts 1640

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Irish Bank (GB)	6.00	Exeter Bank Limited	7.00	●Singer & Friedlander	6.00
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Smith & Williamson Secs	6.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.00	●Guinness Mahon	6.00	TSB	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of Ireland	6.00	●Hambros Bank	6.00	Unity Trust Bank Plc	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Bank of Scotland	6.00	●Hill Samuel	6.0	Whiteaway Laidlaw	6.00
Barclays Bank	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00		
●Brown Shipley & Co Ltd	6.00	Investec Bank (UK) Ltd	6.00	● Members of London Investment Banking Association	
Citibank NA	6.00	Julian Hodge Bank	6.00	* In administration	
Clydesdale Bank	6.00	●Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Cyprus Popular Bank	6.00	NatWestminster	6.00		
		●Rea Brothers	6.00		

COMMODITIES AND AGRICULTURE

India plans wheat imports to top up stocks

By Kunal Bose in Calcutta

India is to import 4m tonnes of wheat to replenish its fast declining stocks of food grains, which are needed for the country's elaborate public distribution system.

The government is buying in the stocks despite rising domestic production; farmers are refusing to sell their wheat to state agencies at the procurement price of Rs475 a quintal, including a bonus element of Rs60 a quintal.

The growers are demanding that the government pay them the market price for their wheat – about Rs755 a quintal – but the government is keen to keep the price of wheat low to reduce the burden of its subsidised food programmes.

Indian wheat production increased by 2.04m tonnes in 1996-97, to 64.66m tonnes, when the area under the crop rose 500,000 hectares to 25.3m hectares.

The State Trading Corporation, a government-owned undertaking, has already signed contracts for the import of nearly 2.7m tonnes of wheat from Australia and Canada at prices ranging from US$148 to US$155 a tonne. About 1m tonnes of the total 4m tonnes of imported wheat has already arrived.

As well as importing wheat on its own account, the government is likely to allow flour mills and traders to import the cereal, as has been recommended by the agriculture ministry.

The government has created a special task-force under the chairmanship of the food secretary to speed the wheat imports, but trade officials expect delays, doubting the capacity of most Indian ports to handle such large volumes efficiently. In 1992-93, when India imported 2.8m tonnes of wheat, it took almost 18 months to unload the grain and pass it through the docks.

Eventually, the government hopes to be able to bring down the open market price of wheat through imports and by restricting the availability of bank credits for building wheat stocks by the trade.

A ban on exports of wheat and wheat products was introduced in September last year in view of the hardening of domestic prices.

Zambia shortlists copper buyers

By Michael Peel

Zambia formalised the sell-off of its copper industry yesterday when it announced the preferred bidders for eight of its nine privatisation packages.

The shortlist includes Canada's AUR Resources, India's Binani Group and Sterlite Industries, First Quantum Minerals of Canada as well as two consortia, one comprising South Africa's Avmin, Canada's Noranda Mining, US-based Phelps Dodge and Commonwealth Development Corporation of the UK; the other Randex of South Africa and Canada's Crew Group.

The companies were bidding for majority interests in the country's mining operations. State-owned Zambia Consolidated Copper Mines will retain 20 per cent of each package. In the second stage of privatisation the state plans to sell off its 51 per cent stake in ZCCM itself to foreign investors.

Companies buying the first packages will take on part of ZCCM's $800m debt and a spokesman for ZCCM said the government was "very unlikely" to raise any cash from the sale.

The industry has been denied capital investment for years and one analyst said renovation would cost about $2bn. "Some of the industry is in good shape," said ZCCM. "Some of it is quite clearly not so good. Companies will have to spend a lot of money."

The prospects of high initial costs could have discouraged some larger mining companies from bidding. "If the capital investments required are as significant as some have estimated then there are questions over how some of the smaller companies are going to raise the money," said Mr Raj Kohli of Paribas.

Iran 'terrorist' report lifts oil

MARKETS REPORT

By Robert Corzine, Laurie Morse and Gary Mead

Oil prices firmed yesterday on US reports that linked Iran, the world's third largest oil exporter, with terrorist attacks on US military facilities in Saudi Arabia.

The price of Brent Blend for May delivery, the international benchmark, was quoted at around $18.18 a barrel in late trading on London International Petroleum Exchange, up 30 cents on last Friday's settlement price.

A report from the Centre for Global Energy Studies in London suggests that oil prices could rise in the second quarter as a result of US and European refineries increasing their output of petrol before the summer driving season.

A freeze in key winter wheat-growing regions of the US southern plains sent US wheat prices sharply higher yesterday, with wheat futures for July delivery on the Chicago Board of Trade halted shortly after the opening when bids exceeded the maximum daily price limit allowed by the exchange.

Late in the day, the July contract was locked up at the 20 cent per bushel limit, at $4.28 per bushel.

Traders said buying demand remained strong, and indicated wheat prices could add another 5 to 10 cents per bushel when the market opened again today.

The worst freeze in 50 years hit the farming regions of West Texas and Oklahoma on Saturday. Some crop experts estimate that half of the winter wheat harvest in those states has been lost. Texas and Oklahoma combined generally produce about 250m bushels of wheat.

"We're estimating an 85m to 100m bushel loss in that area," said Mr Dan Basse, director of research for the analysis firm AgResource.

Last week's excitement about palladium prices ebbed somewhat yesterday, in the absence of any news about the release of Russian exports.

After trading at a 21-month high last week of $160.25 an ounce, the metal, which is essential to some automotive catalysts and electronic components, dipped in London to $151, though it revived to $152.

Trading in other metals was equally slow, with the price for three-month copper closing at $2,257 a tonne, down $15.

However three-month zinc prices moved higher, closing up $21 at $1,253. The International Zinc Association said yesterday it aimed to increase consumption of the metal by 500,000 tonnes a year within five years, on top of organic growth.

Brazilians take a shine to palm oil

Output is expected to reach 145,000 tons a year by 2012

In the fast-growing global palm oil business, Brazil's producers are small fry with big ambitions. Of almost 5m hectares under palm oil production worldwide at the end of last year, just 39,000 hectares were in Brazil.

There could be a lot more. According to Mr Harald Brunckhorst, managing director of Agropalma, which produces 40 per cent of Brazil's palm oil, the northern state of Pará alone has 7m ha of suitable land, or more than three times the area under production in Malaysia, the world's biggest producer.

"Brazil today is where Malaysia was in the 1960s," he says. "The potential is enormous."

In the past three decades, palm oil has risen from obscurity to become the world's second-biggest food oil, with 17 per cent of world consumption compared with 20 per cent for soya oil.

Annual production is now 16.5m tons, growing by about 10 per cent a year. By 2002 it is expected to overtake soya: it is already the most traded oil on world markets, with exchanges in Kuala Lumpur and Rotterdam.

It is nothing new in Brazil. The dende palm was introduced by African slaves in the 16th century and dende oil – its powerful, unrefined product – is still a popular cookery ingredient in the north and north-east.

In its refined form it is more versatile. It is used in cooking oils and margarines, and as an ingredient in biscuits, chocolate and many other manufactured foods.

Other uses include soaps, shampoos and detergents; fine lubricating oils can be derived from it for coating the insides of food tins.

Mr Brunckhorst is enthusiastic about palm oil's advantages. It is rich in vitamins A and E and contains no cholesterol. Extracting it is a natural, physical process, involving first crushing and then filtering through citric acid, whereas other oils use man-made chemicals such as phosphoric acid.

It is naturally stable, unlike other oils, so does not require unhealthy hydrogenation. It has a high yield per hectare: four tons, about eight times the yield of soya oil.

Last but far from least, it is highly profitable, offering an annual return on investment of 18 to 20 per cent.

Agropalma has spent about $90m in Pará since its controller, Banco Real, decided to enter the palm oil business in the early 1980s. It owns 35,000 ha of mostly forested land of which half, by law, must not be touched. Of the remainder, 9,000 ha are under production and a further 6,000 ha are about to come on stream.

The dende palm is nothing new in Brazil – it was introduced by slaves in the 16th century

Output this year is estimated at 39,000 tons, of which about a third will go to export markets, principally in Germany, the Netherlands and the UK.

The oil is first extracted at two factories near the palm groves; a third will begin operating next year. It is then taken by river to the state capital, Belem, where Agropalma has its own pier and storage facilities and is spending $20m on its first refinery, due to enter production this month.

Sales were worth about $20m last year and should rise to $23m in 1997.

Mr Brunckhorst says the company will concentrate on expansion into the next century, putting all its profits into new capacity. By 2005 it plans to have 35,000 ha planted.

Because the palms take some time to mature, reaching their peak of production after about 10 years, output will rise only slowly but should reach 145,000 tons a year by 2012.

This will be far from enough to supply the Brazilian market. Consumption this year is put at about 180,000 tons; Agropalma reckons there is sufficient demand for 450,000 tons. Total domestic production stands at 100,000 tons, of which 30,000 is exported.

As Mr Brunckhorst is quick to admit, that makes Brazil's exports a mere drop in the global palm oil ocean.

But he is confident growth will continue in the long term: "The possibility of growth here is already causing concern among the competition," he says.

Expansion is likely to be slow. The cost of planting dende palms is between $2,000 and $2,500 a hectare, and it is three years before any oil can be extracted.

Nevertheless, Brazil's competitors are waking up to its potential. A delegation of Malaysian producers, who have dominated the market since the 1960s, visited Brazilian plantations at the end of last year and discussions are being held on possible investments.

Jonathan Wheatley

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1513-4	1548-9
Previous	1533-34	1567-68
High/low		1567/1542
AM Official	1522.5-3.0	1559.5-60.0
Kerb close		1548-9
Open int.	274,426	
Total daily turnover	160,867	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1423-5	1453-7
Previous	1425-35	1455-65
High/low	1423	1455/1450
AM Official	1423-4	1450-5
Kerb close		1450-55
Open int.	5,798	
Total daily turnover	2,436	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	621-2	631-2
Previous	619-21	629-30
High/low		634/628
AM Official	621.5-2.0	631.5-2.0
Kerb close		634-5
Open int.	39,522	
Total daily turnover	11,522	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7070-80	7185-90
Previous	7145-55	7250-60
High/low	7020	7250/7110
AM Official	7015-7	7119-21
Kerb close		7240-50
Open int.	52,092	
Total daily turnover	25,582	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5655-65	5710-15
Previous	5585-95	5625-30
High/low		5780/5615
AM Official	5555-60	5625-30
Kerb close		5745-55
Open int.	16,931	
Total daily turnover	6,828	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1211.5-2.5	1236.5-7.5
Previous	1206.5-07.5	1232.5-33.0
High/low		1259/1229
AM Official	1206.5-7.5	1230.5-1.0
Kerb close		1253-4
Open int.	89,459	
Total daily turnover	50,069	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2289-92	2251-2
Previous	2321-23	2277-78
High/low	2292/2288	2272/2244
AM Official	2290-92	2248.5-7.5
Kerb close		2256-7
Open int.	136,495	
Total daily turnover	74,780	

■ LME AM Official £/$ rate: 1.6233
LME Closing £/$ rate: 1.6223

Spot: 1.6225 3 mths: 1.6204 6 mths: 1.6181 9 mths: 1.6163

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	106.65	-1.20	106.70	105.30	305	2,428
May	106.45	-1.00	106.70	104.00	5,444	20,421
Jun	104.75	-0.80	104.80	103.40	26	1,615
Jul	103.85	-0.75	104.40	102.40	1,109	9,266
Aug	103.15	-0.55	103.00	102.90	55	806
Sep	102.25	-0.45	102.20	101.40	108	4,241
Total					7,276	50,005

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	346.50-347.00		
Opening	346.40-346.70		
Morning fix	346.65	213.52	508.536
Afternoon fix	346.75	213.70	508.682
Day's High	347.20-347.50		
Day's Low	346.00-346.30		
Previous close	345.80-346.30		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.56 6 months 4.56
2 months ....4.56 12 months 4.56
3 months 4.55

Silver Fix	p/troy oz.	US cts equiv.
Spot	291.05	472.50
3 months	295.10	478.45
6 months	299.40	484.85
1 year	308.05	497.9

Gold Coins	$ price	£ equiv.
Krugerrand	347-349	213-215
Maple Leaf	-	-
New Sovereign	81-84	50-52

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	346.4	-0.6	347.0	346.5	76	439
May	347.2	-0.6	-	-	1	-
Jun	348.7	-0.6	349.8	348.5	34,490	66,295
Aug	351.4	-0.6	352.6	351.5	368	13,205
Oct	354.1	-0.6	354.9	354.9	75	6,198
Dec	357.0	-0.6	357.9	357.2	467	21,824
Total					35,571	151,021

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	366.7	-2.7	370.0	370.0	55	18
Jul	370.2	-2.7	372.9	370.1	2,078	13,097
Oct	372.4	-2.7	373.0	372.5	31	2,270
Jan	374.8	-2.7	-	-	2	1,148
Total					2,115	16,540

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	153.90	-0.80	154.50	100.00	1,298	7,342
Sep	154.40	-0.55	151.25	151.25	454	2,519
Dec	155.15	-0.55	-	156.00	100	231
Total					1,752	10,092

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	471.1	+0.3	470.5	470.5	-	2
May	472.3	+0.3	474.5	470.0	15,172	52,685
Jul	477.3	+0.3	479.0	475.5	3,559	26,656
Sep	482.1	+0.3	483.5	481.0	39	3,948
Dec	489.4	+0.2	491.0	487.5	242	5,694
Jan	491.0	+0.1	498.5	498.5	1	17
Total					19,045	98,756

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
May	19.97	+0.44	20.03	19.61	31,584	65,710
Jun	19.97	+0.35	20.05	19.86	24,338	83,622
Jul	19.97	+0.34	20.03	19.69	7,039	40,645
Aug	20.00	+0.36	20.00	19.79	2,750	25,918
Sep	19.97	+0.31	20.00	19.85	384	17,814
Oct	19.92	+0.26	19.92	19.88	543	15,722
Total					69,098	419,541

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
May	18.21	+0.33	19.30	18.04	6,234	23,861
Jun	18.39	+0.32	18.50	18.23	14,835	70,715
Jul	18.50	+0.28	18.60	18.35	2,366	26,098
Aug	18.59	+0.27	16.70	18.46	521	13,173
Sep	18.61	+0.24	18.70	18.00	668	7,816
Oct	18.62	+0.22	18.72	18.53	740	6,722
Total					na	na

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
May	54.90	+1.03	55.05	54.10	19,283	33,060
Jun	54.25	+0.71	54.35	53.55	7,602	28,482
Jul	54.15	+0.51	54.25	53.60	4,283	20,344
Aug	54.75	+0.51	54.80	54.50	900	11,220
Sep	55.65	+0.66	55.65	55.30	468	7,184
Oct	56.20	+0.46	56.30	56.20	274	6,942
Total					33,510	142,352

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	162.50	-	161.00	160.00	8,236	1,072
May	165.00	+1.50	165.75	163.75	5,218	25,906
Jun	166.25	+1.25	166.75	164.75	1,676	0,612
Jul	167.75	+1.00	166.25	167.50	830	5,805
Aug	170.00	+1.25	170.00	169.50	62	4,026
Sep	171.75	+1.00	171.75	171.50	55	2,279
Total					8,499	60,578

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
May	1.955	+0.022	1.960	1.925	11,533	26,678
Jun	2.000	+0.005	2.010	1.985	5,247	25,396
Jul	2.030	+0.005	2.035	2.025	1,434	14,239
Aug	2.048	+0.006	2.050	2.030	678	10,303
Sep	2.050	+0.032	2.053	2.040	1,185	11,167
Oct	2.073	+0.033	2.075	2.060	1,044	12,918
Total					23,579	176,850

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
May	62.05	+1.17	62.30	61.20	11,827	35,145
Jun	61.60	+0.93	61.85	60.00	7,185	35,904
Jul	60.70	+0.80	60.70	59.90	2,312	13,025
Aug	59.55	+0.75	59.60	59.20	303	5,389
Sep	58.05	+0.50	58.20	58.00	255	2,873
Oct	56.70	+0.70	56.70	56.40	167	1,876
Total					22,165	100,960

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	99.25	+0.55	100.25	99.25	93	1,964
Jul	102.25	+0.50	103.25	102.95	75	1,412
Sep	99.40	+1.25	-	-	-	46
Nov	101.40	+1.25	102.00	101.00	364	3,157
Jan	103.40	+1.40	104.00	103.00	208	869
Mar	105.40	+1.25	105.80	105.15	50	340
Total					na	na

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	423.00	+20	423.00	413.50	7,533	12,813
Jul	428.25	+20	428.25	425.00	26,879	50,246
Sep	432.00	+20	432.00	431.00	4,052	0,979
Dec	441.00	+20	441.00	436.00	2,417	8,341
Mar	442.00	+20	442.00	439.00	155	400
Jul	390.50	+10.5	396.00	387.00	5	188
Total					41,039	81,974

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	303.75	+4.25	307.75	302.00	48,527	107,100
Jul	306.25	+4.75	310.00	304.50	34,297	120,769
Sep	291.75	+2.25	295.50	291.00	2,736	20,514
Dec	289.75	+2	295.00	288.50	13,859	95,946
Mar	293.75	+2.75	297.50	293.00	460	9,402
May	298.00	+1.75	298.00	297.00	33	589
Total					100,112	359,727

■ BARLEY LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	92.50	-	-	-	1	128
Sep	96.25	+1.25	96.50	96.50	-	31
Nov	98.25	+1.25	98.50	98.25	30	780
Jan	100.25	+1.25	100.25	100.25	23	53
Mar	102.25	+1.25	-	-	-	-
May	104.25	+1.25	-	-	-	-
Total					na	na

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
May	833.00	+2.5	847.00	829.00	27,195	54,329
Jul	839.00	+2.5	853.00	838.00	59,620	75,801
Aug	828.25	+1.25	842.00	827.00	3,644	11,522
Sep	756.75	+3.75	763.25	756.00	879	6,852
Nov	704.25	+2.25	711.00	703.00	11,552	38,822
Jan	710.00	+1.5	716.00	710.00	137	2,378
Total					103,057	190,974

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
May	23.90	+0.06	24.14	23.86	8,958	28,982
Jul	24.32	+0.08	24.53	24.28	10,271	34,687
Aug	24.51	+0.12	24.69	24.45	1,938	9,104
Sep	24.62	+0.1	24.80	24.60	891	5,429
Oct	24.70	+0.09	24.88	24.96	160	5,318
Dec	24.95	+0.1	25.12	24.85	2,280	15,338
Total					24,611	99,722

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
May	275.7	+0.9	280.0	274.8	15,823	36,780
Jul	273.2	+0.8	280.0	272.3	13,833	35,185
Aug	266.8	-0.7	270.5	266.5	1,673	10,249
Sep	253.0	+0.2	255.5	253.0	490	0,650
Oct	230.9	+0.6	233.0	230.5	351	6,304
Dec	223.3	+0.3	225.8	222.8	2,459	13,174
Total					34,630	110,066

■ POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	48.0	-1.5	50.0	49.0	10	392
Jun	67.5	-1.5	-	-	-	-
Nov	77.0	-	77.0	77.0	-	17
Mar	106.0	-	-	-	-	-
Apr	150.0	-5.0	160.0	149.0	94	994
Total					na	na

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	1400	-11	1400	1380	44	839
May	1415	-25	1430	1415	61	717
Jul	1200	-50	1225	1200	54	848
Oct	1330	-30	1350	1330	40	359
Jan	1375	-20	1385	1375	10	45
Apr	1400	+5	-	-	-	-
Total					na	na

	Close	Prev
BFI	na	1427

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1013	+1	1013	1002	1,382	19,158
Jul	1029	+4	1030	1015	1,607	17,905
Sep	1039	+3	1039	1027	818	12,623
Dec	1021	+1	1020	1012	257	27,350
Mar	1031	+1	1030	1023	1,019	27,291
May	1041	+1	1040	1035	105	16,568
Total					na	na

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
May	1418	+6	1422	1396	4,245	9,556
Jul	1461	+10	1463	1439	5,278	27,361
Sep	1483	+7	1465	1465	1,185	12,635
Dec	1503	+12	1505	1487	1,084	15,107
Mar	1526	+12	1494	1494	260	19,121
May	1546	+12	1540	1540	1	7,773
Total					11,783	93,149

■ COCOA (ICCO) (SDR's/tonne)

Apr 11	Price	Prev. day
Daily	1139.25	1125.49

■ COFFEE LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1553	-11	1564	1540	781	17,991
Jul	1565	-7	1575	1551	1,235	13,550
Sep	1572	-8	1570	1562	139	8,896
Nov	1565	-10	1560	1555	61	3,474
Jan	1545	-	1548	1540	52	1,236
Mar	1530	-	1530	1530	1	91
Total					na	na

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	196.00	+6.90	197.00	186.20	3,997	9,291
Jul	177.00	+4.00	177.00	170.35	3,100	11,073
Sep	162.75	+4.00	163.00	158.00	829	6,885
Dec	148.00	+2.70	148.00	144.95	560	3,914
Mar	137.75	+1.75	137.50	136.00	157	1,311
May	132.00	+1.00	132.00	132.00	7	245
Total					8,730	32,844

■ COFFEE (ICO) (US cents/pound)

Apr 11		Prev. day
Comp. daily	135.71	136.58
15 day average	134.40	134.02

■ WHITE SUGAR LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	306.5	-5.3	311.8	306.0	2,033	4,847
Aug	308.8	-1.9	310.7	308.0	2,058	10,167
Oct	305.5	-1.0	305.8	304.8	362	3,304
Dec	302.6	-1.0	303.5	302.4	97	1,008
Mar	301.1	-1.6	302.7	301.6	121	548
Total					4,784	20,162

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	11.24	-0.09	11.27	11.12	10,849	52,083
Jul	11.13	-0.03	11.15	11.01	13,531	55,543
Oct	10.89	-0.01	10.90	10.78	3,342	31,253
Mar	10.80	-0.02	10.81	10.70	1,460	18,694
May	18.74	-0.01	10.74	10.64	230	3,699
Jul	10.67	-0.04	10.67	10.60	370	1,793
Total					29,221	173,517

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	72.36	+0.67	72.40	71.75	5,038	28,237
Jul	74.04	+0.56	74.08	73.45	3,884	23,193
Oct	75.10	+0.50	75.10	74.90	274	1,985
Dec	75.90	+0.36	76.00	75.60	994	22,308
Mar	77.05	+0.25	77.05	76.75	229	2,565
May	77.85	+0.12	77.25	77.25	20	621
Total					11,381	80,037

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	75.65	+0.10	76.40	75.20	1,525	10,883
Jul	78.00	-0.15	79.15	77.70	1,436	9,792
Sep	81.00	-	82.00	00.80	232	4,694
Nov	83.50	-0.15	84.40	83.80	194	2,077
Jan	85.20	-0.15	86.50	84.50	29	881
Mar	87.20	+0.15	88.70	87.35	167	856
Total					1,853	28,734

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ *Reuters* (Base: 18/9/31 = 100)

Apr 14	Apr 11	month ago	year ago
1948.8	1958.0	1997.1	2114.1

■ CRB Futures (Base: 1967 = 100)

Apr 11	Apr 10	month ago	year ago
242.71	241.24		

■ GSCI Spot (Base: 1970 = 100)

Apr 11	Apr 10	month ago	year ago
189.62	189.60	192.01	216.68

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Apr	70.300	+0.475	70.325	69.600	3,085	10,792
Jun	65.250	+0.375	65.300	64.850	6,762	35,837
Aug	64.700	+0.300	64.750	64.200	2,398	24,532
Oct	68.250	+0.225	68.350	67.800	1,227	15,820
Dec	70.150	+0.175	70.250	69.775	310	7,970
Feb	70.900	+0.100	71.000	70.550	78	4,440
Total					13,872	100,056

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Apr	74.425	-0.100	74.500	74.125	1,511	2,402
Jun	82.700	+0.250	83.000	81.875	3,832	15,723
Jul	82.475	+0.175	82.900	81.600	1,679	4,782
Aug	79.900	+0.550	80.200	78.950	569	3,877
Oct	73.250	+0.325	73.300	72.700	226	3,010
Dec	70.850	+0.075	71.100	70.500	168	2,041
Total					7,994	32,627

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
May	82.875	+1.800	82.950	81.050	1,389	3,857
Jul	81.800	+2.075	81.850	79.800	639	2,528
Aug	78.700	+1.275	79.200	77.425	219	761
Feb	71.550	+0.450	71.550	71.550	20	130
Mar	71.000	-	-	-	1	8
Total					2,252	7,280

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	May	Aug	May	Aug
1500	41	87	13	29
1550	15	56	37	49
1600	4	37	76	77

■ COPPER (Grade A) LME	May	Aug	May	Aug
2200	105	98	7	66
2300	37	54	98	120
2400	7	27	108	190

■ COFFEE LIFFE	May	Jul	May	Jul
1550	38	120	24	98
1600	17	97	53	125
1650	7	78	93	156

■ COCOA LIFFE	May	Jul	May	Jul
1025	7	56	19	52
1050	2	47	39	68
1075	-	41	62	87

■ BRENT CRUDE IPE	Jun	Jul	Jun	Jul
1800	-	-	44	-
1850	-	-	-	-
1900	34	-	90	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$16.53-6.55w	+0.20
Brent Blend (dated)	$17.65-7.67	+0.225
Brent Blend (May)	$18.17-8.19	+0.175
W.T.I.	$19.84-9.85w	+0.335

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$201-203	
Gas Oil	$167-170	+1.0
Heavy Fuel Oil	$80-82	
Naphtha	$182-185	-2
Jet fuel	$188-189	+2
Diesel	$176-179	+2

■ NATURAL GAS (Pence/therm)

Bacton (May)	10.2-10.3	
Petroleum Argus. Tel. London (0171) 359 8792		
IPE (May)	10.300	+0.075

■ OTHER

Gold (per troy oz)♣	$346.75	+0.70
Silver (per troy oz)♣	473.00c	+2.00
Platinum (per troy oz.)	$370.00	-1.5
Palladium (per troy oz.)	$154.25	-3.25
Copper	114.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.03r	-0.07
Tin (New York)	264.50	
Cattle (live weight)	94.49p	-1.59*
Sheep (live weight)	132.12p	-13.97*
Pigs (live weight)†	81.84p	-5.62*
Lon. day sugar (raw)	$277.20	-2.20
Lon. day sugar (wte)	$312.00	-1.80
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£108.75	
Wheat (US Dark North)	Unq	
Rubber (May)♥	75.00p	
Rubber (Jun)♥	75.00p	
Rubber (KL RSS No1)	291.5x	
Coconut Oil (Phil)§	725.0y	-5.0
Palm Oil (Malay.)§	582.5z	
Copra (Phil)§	$480.0y	
Soyabeans (US)	225.0	-5.0
Cotton Outlook'A' Index	78.90c	
Wooltops (64s Super)	410p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. w May y Apr/May♥ z Apr London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 582 head of pigs sold.

Tea

There was a strong general demand for tea, The Tea Brokers' Association reports.

Landed – bright East African teas remained fully firm while good medium teas showed a dearer price tendency.

Offshore – good competition provided generally dearer rates.

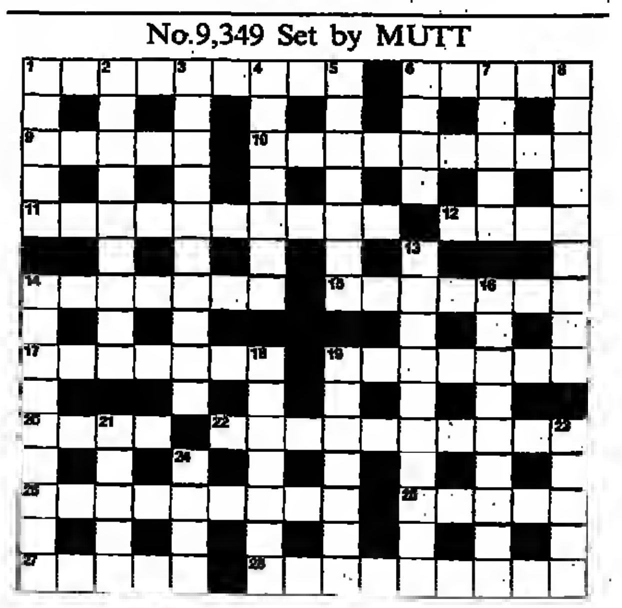
Quotations for this sale: Landed best available 161p; good 152p; good medium 142p, medium 137p, low medium NQ.

The highest price realised this week was 161p for a Burundi BP.

JOTTER PAD

CROSSWORD

No.9,349 Set by MUTT



ACROSS

1 Woodchuck takes the minced pork (9)
6 Boh or Thomas using some bawdy language (5)
9 Farewell to model attendant (5)
10 Fiddler, if itinerant, will be somewhere on the Yorkshire Wolds (9)
11 Erotic poetry, perhaps, with opening stanza on beauty (10)
12 Bring down from the upland (4)
14 Courses organised for old fat cat? (7)
15 Try Hugo for dairy produce (7)
17 Supposed to be put on (7)
19 Not very sharp sleuths getting behind a vehicle that's reversing (7)
20 The yellow people, topless, follow the unknown (4)
22 Kept being held (10)
25 Previous date with Eve? (3,6)
26 Massage point at centre of unpleasantly moist back (5)
27 Way to take the blame – and the punishment (5)
28 Innuendos from public individuals (9)

DOWN

1 Paid a pound for the hammer (5)
2 Plain cover for Plate 1 (becoming forgetful) (9)
3 Stinger has a few and gets irritable (10)
4 Beatings can result from shindig (7)
5 Deny having profit to declare (7)
8 500 behind? – that's silly (4)
7 In Belgium, an old subject (5)
8 Altogether upset, thanks to game being held in private room, so get knotted (9)
13 To get into it depends on how old you are (3-7)
14 Cautious book on the underworld by monstrous heavy drinker (9)
16 Indifference to elite name heading business establishment (9)
18 When the game is up, there's nothing like a highball to help (7)
19 Genuine and somehow nicer in the home counties? (7)
21 Hen cake, perhaps? (5)
23 Pa goes over big with cubic blocks (5)
24 The old record makes one cry (4)

Solution to Saturday's prize puzzle on Saturday April 26.
Solution to yesterday's prize puzzle on Monday April 28.

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Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Asset Management (Bermuda) Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Rothschild Asset Management - Contd.

GUERNSEY (REGULATED)(**)

Royal Bank of Canada Intl Money Market Fd

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

Baring International Fd Mgrs (Ireland) Ltd

Murray Johnstone (Dublin) Ltd

Odey Asset Management Ltd

Baring Mutual (Ireland) Ltd

Berkshire KITC Growth Fund Plc

Berkshire Korea Fund Plc

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Abtrust Fund Mngrs Luxembourg SA (u)					
4 Boulevard Royal L 2449 Luxembourg 00 352 227001					
Abtrust Atlas Fund					
Global Cap Portfolio		$3.882		-0.028	-
United States Portfolio		$5.624xd		-0.139	-
Contl Europe Portfolio	0	DM7.782		-0.016	-
Japan Portfolio		$0.654		+0.004	-
Pacific Portfolio		$4.397		+0.028	-
Gold Portfolio		$5.590		-0.113	-
UK Growth of Income		£2.229xd		-0.017	3.87
Dollar Portfolio		$1.847xd		—	7.03
Sterling Portfolio		£1.035xd		—	6.30
Aetna Master Fund (m) (x)					
21 avenue de la Liberte, L-1931, Lux 00 352 2854 941					
Australasian Nav		A$18.95		-0.08	-
Austrian Nat NAV		Sch98.89		-0.12	-
Belgo/Lux NAV		BFr898.85		-2.00	-
Dutch Nat NAV		Dfl47.10		-0.52	-
French Nat NAV		FFr148.69		-0.48	-
German Nat NAV		DM21.17		-0.15	-
Hongkong Nat NAV		HK$125.84		-1.76	-
Italian Nat NAV		L13731		+70	-
Japanese Nat NAV		Y1137		-13	-
Spanish Nat NAV		Pta1509		-11	-
UK Nat NAV		£11.08		-0.11	-
United States Dev Res		$11.14		—	-
Prices quoted are "A" shares					
American Phoenix Investment Portfolios (u)					
13 rue Goethe, L-1637 Luxembourg 00 352 40464611					
European Multinational Ptdo		Ecu21.46		-0.34	-
European Multinational Ptdo		$24.33		-0.39	-
European Multinational Ptdo		£15.00		-0.23	-
European Multinational Ptdo		L41221		-789	-

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Fleming Group - Contd.					
FFF European		DM43.27	45.71	-0.68	-
FFF European Small Cos F		DM26.25	27.77	-0.08	-
FFF Global Conv F		$17.00	18.82	-0.12	-
FFF India H		$9.65	10.20	+0.18	-
FFF Intl Bond F		$13.29	14.06	-0.03	-
FFF Intl Equity F		DM78.32	82.86	-1.45	-
FFF Japanese		$13.54	14.32	-0.12	-
FFF Japanese Smaller Cos F		$5.20	5.55	-0.02	-
FFF Latin American		$13.42	14.15	-0.26	-
FFF Pacific		$21.20	22.49	-0.31	-
FFF Sterling Bond		£1.063	1.125	-0.003	7.50
FFF UK Enterprise		£5.48	5.80	-0.09	-
FFF US Discovery		$41.18	43.35	-0.53	-
Fleming Flagship Series S (Daily Dealing)					
DM Class F		DM12.450		+0.003	2.65
FFr Class F		FFr84.318		+0.014	2.79
ITL Class F		L22800		+11.00	6.77
£ Class F		£5.241		+0.002	5.63
US$ Class F		$12.063		+0.005	5.18
Oasis Fund Sicav					
International Equity F	6 CE	$16.011	10.6644	—	-
Foreign & Colonial Emerging Markets Ltd (u)					
Exchange Ho, Primrose St, Ldn, EC2A 2NY 0171-628 1234					
F&C Emerging Markets					
Argentinian Inv Co F		$23.03		-0.53	-
Brazilian Inv Co SICAV F		$51.31		-0.08	-
Cntrl Europ Mkts Inv Co SICAV F		$10.61		-0.11	-
Latin Amer Inv Co SICAV F		$11.98		-0.14	-
Mexican Inv Co SICAV F		$24.42		-0.18	-
Foreign & Colonial Portfolios Fd Sicav(u)					
33 Boulevard Prince Henri, L-1724 Lux 00 352 2250 211					

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Midland Intl Circuit Fund SICAV(u)					
Midland Bank Fund Managers (Jersey) Ltd					
PO Box 26, St Helier, Jersey 01534 [illegible]					
UK Growth		£1.516	1.597	-0.014	
European Growth		£1.86	1.959	-0.019	
European Opps		$4.519	4.758	-0.035	
Japan Growth		£0.838	0.873	-0.003	
Japanese Opps		$1.596	1.68	-0.015	
Pacific Growth		£1.998	2.007	-0.028	
Nth American Growth		£1.773	1.867	-0.058	
American Opps		$3.908	4.118	-0.0101	
UK Fixed Interest		£1.274	1.278	-0.008	
Multicurrency Bond		£1.116	1.175	—	
UK Stg Liquidity		£0.906	0.955	+0.001	
US$ Liquidity		$1.509	1.59	+0.001	
For Nikko see Luxembourg (Regulated)					
Nikko Global Umbrella Fund					
18 Bld Royal, L-2449 Luxembourg 00 44 171 222 [illegible]					
Japan Ret Rev YEN		Y794	800	—	
Japan Ret Rev USD		$6.27	6.32	—	
Japan Ret Rev Stg		£3.85	3.88	—	
JASDAQ A		Y695	702	—	
JASDAQ 0		$7.30	1.35	—	
Asia Conv Bond		$10.48		—	
Asia-Pacific		$18.79	11.13	—	
Hong Kong		$29.78	30.60	—	
Indonesia		$11.27	11.51	—	
Malaysia		$13.97	14.27	—	
Oceania		$15.85	16.18	—	
Philippines		$16.90	11.20	—	
Singapore		$15.79	15.50	—	

[illegible]

OFFSHORE INSURANCES

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

FINANCIAL TIMES WEEKEND APRIL 26/APRIL 27 1997

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
Old Mutual International - Contd.				
Old Mutual International (Ireland) Ltd				
PO Box 121, St Peter Port, Guernsey 01481 726726				
Emerging Markets Bond	$1.368	1.472	—	-
Fixed Income USD Class			—	-
Old Mutual International (Isle of Man) Ltd				
European Equity	166.21	178.71	-0.22	-
UK Gilt & Fixed Int	120.86	129.76	-0.33	-
AXA Asset Management				
AXA Valeurs	FFr169.932		—	-
AXA MPI Cap	FFr153.089		—	-
AXA MPI Dist	FFr150.879		—	-
Ability Fund Limited				
Fixed Income USD Class			—	-
Fixed Income DM Class			—	-
USA Equity USD Class			—	-
Acciones y Valores de Mexico SA de CV				
Africa Emerging Markets Fund				
NAV Mar 27	$15.5895		—	-
Agribusiness Fund Management Co				
ABC Bond	$10.00		—	-
Direct	$7.71		—	-
Alliance Capital				
Allied Dunbar International Fund Mngrs (1600)F				
Alnista Capital Management Ltd				
Alnista Growth Fund and Unit Trust				
Class A	$190.09	193.79	—	-
Class B	$97.59	100.61	—	-
Alpha Fund Management Ltd				
Alpha Global Feb 28	$1112.39		—	-

Global Asset Management - Contd.

Jardine Fleming Unit Trusts Ltd - Contd.

OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	♣	420	-1	523	407½	4,407	6.8	13.0
Bulmer (HP)	✕♣	579	-2	628	477	385.7	2.9	17.2
Burn St Dist	♣	60xd	—	131	57½	38.6	7.1	14.9
Glenmorangie A	†	1000	—	1040	615	130.0	1.5	27.3
B	†	1125	—	1140	858	45.8	0.7	61.3
Grand Met	♣	458	-3½	506	411½	10,445	4.0	16.0
Guinness	✕♣	482½xd	-8½	518½	429	9,289	4.1	14.9
Highland	✕†	343	-1	360	320	457.2	3.0	16.0
5¾pc Cnv Bds		95¾	-½	101½	94¼	—	—	—
Kirin Y		487	[illegible]	[illegible]	[illegible]	3,082	1.2	19.6
Matthew Clark	✕♣	328	-6½	803	295½	290.3	6.1	15.7
Merrydown	✕†	91½	-3	141	90½	9.97	6.3	12.4
Seagram C$		£22¾	-⅜	£29⅛	£20⅝	8,210	1.7	—

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INSURANCE - Cont.

INVESTMENT TRUSTS

Approved by the Inland Revenue

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

Approved by the Inland Revenue

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Cont.

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TEXTILES & APPAREL - Cont.

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Toronto-Dom C$		[illegible]	[illegible]	13½	11½	4,704	3.2	
Trans Can Pipe C$	♥	10⅛	[illegible]	12½	8½	1,999	4.7	
Western Star Trucks C$		15	[illegible]	21⅛	14½	167.5	–	

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		£24⅛	—	*£31½	£20¼	1,885	3.1	ɸ
Barlow	£	881½	[illegible]	893	[illegible]	1,389	2.2	13.8
Gold Flds Prop R	‡	134½	−3½	171½	120	13.8	8.7	10.0
SA Brews		£18½	[illegible]	£24	£13¾	5,445	1.8	ɸ
Standard Bank		£25⅛	+½	£31	£21	3,859	1.4	22.6
Tiger Oats		1064	[illegible]	1150	770	1,991	1.7	20.7
Tongaat-Hulett		799½	+1	1125	676¼	710.3	2.4	ɸ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ɸ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ◆ Merger bid or reorganisation in progress
- 5 Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on assumed dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. o Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield includes a special payment.

F Yield based on prospectus or other official estimates for 1996-97. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1997. K Yield based on prospectus or other official estimates for 1998. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part on a

FID (Foreign Income Dividend). R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

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The share prices printed on these pages are also available on the internet at http://www.FT.com.

LONDON STOCK EXCHANGE

No let-up in downside pressure on shares

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

There was little respite for London's equity market yesterday, with share prices retreating across a broad front in the wake of the latest setback on Wall Street.

Not even some much weaker than expected economic data interpreted as lessening the chances of a UK interest rate rise could prevent the latest slide in London stocks.

The market's weakness stemmed mainly from last Friday evening's 148-point fall in the Dow Jones Industrial Average after strong economic data.

That news intensified fears that US interest rates might be increased at the next relevant meeting of the Federal Reserve.

And Wall Street's early retreat yesterday, when it fell over 20 points on the Dow Jones Industrial Average, did little to reassure dealers fretting about an overheating US economy.

The yield on the US long bond ticked up again early yesterday, reaching its highest level since the first half of 1995.

And, according to strategists, it holds the potential to cause substantial upsets across global markets if the US inflation report, due later today, disappoints.

Adding to London's discomfort was a niggling worry that Labour's lead over the Conservatives in the run up to the May general election is being gradually eroded – a hung Parliament, which looks more and more possibile, being the worst outcome of the election, as far as the stock market is concerned.

The FTSE 100 index, reflecting domestic and US concerns, closed another 19.0 lower at 4,251.7 a two-day decline of 61.5, although it was well above the day's worst level of 4,239.9, seen at the opening.

Second-line and smaller stocks, which avoided much of the market's US-inspired selling on Friday, did not escape the widespread market weakness yesterday.

The FTSE 250 finished 28.0 off at 4,505.8 and the SmallCap index ended 8.3 down at 2,289.2.

The one relief for market makers and dealers was that the latest weakness was again not accompanied by any large-scale selling from the big institutions.

The funds have stayed on the fringes of the market.

They have only ventured in to nudge up weightings in the utilities since news that Mr Tony Blair, the Labour leader, had disagreed with Mr Gordon Brown, the shadow chancellor, over the extent of a windfall profits tax.

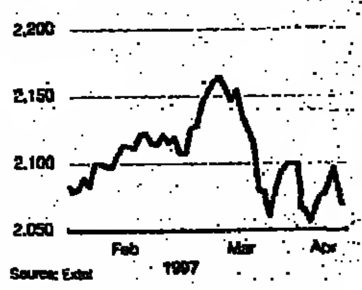
Utilities stocks were among the market's best performers last week and continued that trend yesterday.

One utilities specialist commented that the Blair/Brown rift was behind the persistent support for the sectors.

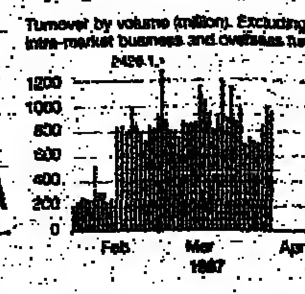
Turnover yesterday reached 652m shares at 6pm with non-FTSE 100 stocks accounting for about 52 per cent of the total.

The value of customer business transacted in the market contracted last week, slipping below £2bn on two occasions – a clear signal that fund managers are reluctant to shift allocations so close to the general election.

FTSE All-Share Index



Equity shares traded



Indices and ratios

FTSE 100	4251.7	-19.0	FT 30	2813.3	-6.7
FTSE 250	4505.8	-28.0	FTSE Non-Fins p/e	18.06	18.15
FTSE 350	2097.4	-10.1	FTSE 100 Fut Jun	4269.0	-4.0
FTSE All-Share	2070.00	-9.82	10 yr Gilt yield	7.69	7.72
FTSE All-Share yield	3.69	3.87	Long gilt/equity yld ratio	2.08	2.11

Best performing sectors
1 Electricity .... +1.5
2 Extractive Industries .... +0.8
3 Gas Distribution .... +0.8
4 Household Goods .... +0.3
5 Utilities .... +0.2

Worst performing sectors
1 Oil Integrated .... -1.5
2 Mineral Extraction .... -1.2
3 Alcoholic Beverages .... -1.0
4 Chemicals .... -1.0
5 Breweries: Pubs & Rest .... -0.9

Ladbroke stake rumours

By Peter John, Gary Mead and Steve Thompson

Ladbroke kept its head above water as some analysts began to speculate about when the entente cordiale with Hilton Hotels will bear fruit.

Ladbroke, which owns the Hilton International chain of hotels, signed a broad co-operation agreement with Hilton Hotels Corp of America in January. Mr Stephen Bollenbach, Hilton Corp's chief executive, also said Hilton would buy 5 per cent of Ladbroke, which equates to 58m shares and about £140m.

Mr Bollenbach, who is also a Ladbroke director, was not able to buy before March because he would have been privy to inside information ahead of Ladbroke's figures. And he cannot buy after the end of June as the company will be in closed seasons. So there is a shortening period in which the transaction is likely.

The stake is likely to be a mix of old and new shares but analysts estimate that, however it is made up, it could boost the share price by up to 10p. The shares were a penny up at 232p.

One of the biggest losers on the day was to be found among food producers. Associated British Foods reported a 2 per cent increase in half-year profits to £201m. While the figures were in line with market expectations, the shares fell 13 to 508¼p.

Analysts explained the fall as largely resulting from a mood of wait-and-see concerning ABF's cash-rich nature. The market estimate is that net cash by the end of September will have doubled in a year, to £1.6bn, and the pressure on Mr Garry Weston, executive chairman, to make one or more significant acquisitions is growing. As Mr Carl Short, food analyst with SocGen, commented: "It's all a bit quiet on the Weston front."

As regards possible acquisitions, Mr Short found significant Mr Weston's statement yesterday that the US subsidiary AC Humko had "identified further acquisitions which will increase our range of higher margin products and complement our existing business in speciality edible oils".

De La Rue, the banknote printer, shot to the high end of the market's second-line performance chart after the company announced a heavy restructuring programme.

Analysts considered the announcement that it was axing 400 jobs and closing one of its plants as a sign that De La Rue had bitten the bullet and taken a hard headed decision to attack difficult trading conditions and declining margins.

Although the move will will cost £15m, it will generate £7m a year in savings. Kleinwort Benson took the opportunity to repeat its buy recommendation on the company arguing that the shares had come back a long way and the fundamental buy case remained. The shares ended the day 29½ up at 558½p.

Lloyds Bank improved 2 to 506¼p as NatWest Securities repeated an "add" rating on the stock. Elsewhere, **Abbey National** rose 6¼ at 785p.

With a number of building societies poised to complete their lengthy transition from mutual ownership to a stock market listing, some fund managers have been increasing their holdings of existing banks to reflect the sector's increasing weighting in the FTSE 100 index.

Utilities extended their recent gains with impetus from several broker recommendations and a generally optimistic view about the prospective Labour tax on windfall profits.

Reports last week suggested that Tony Blair, the Labour leader, aimed to raise £3bn-£5bn from the windfall tax on privatised utilities. That is less than Mr Gordon Brown, the shadow chancellor, had sought.

Also, recent opinion polls have shown the Conservatives closing the gap in the election campaign, with the inference that Labour will come under increased pressure to take a more kindly attitude to utilities.

National Power and **PowerGen** remained at the top of the Footsie chart with additional help impact from a NatWest Securities recommendation late last week, which made itself felt again.

National Power lifted 9½ to 535p, PowerGen 10½ to 638¼p, **Southern Electric** 8 to 428¼p and **Scottish Power** 4¼ to 381p.

In the retail sector GUS was out of the traps early, topping the FTSE 100 index advancers in morning trading. The price was boosted by an upgraded recommendation (from "reduce" to "hold") from SBC Warburg. The company also received a warm reception to yesterday's announcement that it had bought Direct Marketing Technology, a US-based direct marketing information services company. Mr Matthew Siebert, a retail analyst with Hoare Govett, said GUS was still a "buy". The share ended the day up 7 at 633½p.

One fashion retailer slid substantially during the day. **Next** lost 10, to 621½p, largely on the back of rumours – which were rebutted – that one broker had downgraded the stock. **Laura Ashley** was pulled in the wake and was down 4½ to 141½p.

Shares in the AIM-listed **Chelsea Village** rose 5 to 123½p, after 126½p, as the football club's victory over Wimbledon saw them elevated to favourite's position to win the coveted FA Cup trophy in May. The winners of the cup will take part in the money-spinning European Cup Winners' Cup competition next season.

At the other end of the football scale **Sunderland** remained under pressure, sliding 25 more to a record low of 530p, as the club dropped to a relegation-haunted 18th place in the Premier League. In mid February the shares touched 760p. News that **Bardon** and **Camas** are to merge sent shares in the two building materials groups, sharply higher yesterday. Bardon touched 48p before settling 3 up at 44½p. Camas were up 9¼ at 93½p. The merged company is to be called Aggregate Industries.

GEC shunted ahead a penny to 370p helped by news that GEC Alsthom had won a £100m contract to supply and maintain trains for the Gatwick Express service.

It is the company's first UK train order since the privatisation of British Rail.

ML Laboratories was the best performer in the FTSE 250 index on the back of a couple of weekend press tips.

The drug development company gained 15 to 192½p.

Caird, the waste management company, were 10 higher at 767½p after being tipped as a buy by one Sunday newspaper, which said the company's rating was cheap as it traded on 13 times earnings while offering 20 per cent year-on-year growth. **Jarvis** gained 15½ to 240p in response to an upbeat trading statement.

FT 30 INDEX

	Apr 14	Apr 11	Apr 10	Apr 9	Apr 8	Yr ago	*High	*Low
FT 30	2813.3	2820.0	2853.4	2848.0	2842.4	2824.1	2931.4	2668.8
Ord. div. yield	3.96	3.94	3.90	3.90	3.92	3.86	4.22	3.76
P/E ratio net	16.78	16.83	17.03	17.00	16.94	16.85	18.09	15.80
P/E ratio nil	16.59	16.66	16.86	16.83	16.77	16.60	17.87	15.71

FT 30 since compilation: high 2931.4 10/03/97; low 49.4 26/06/40. Base Date, 1/7/35

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2798.1	2798.8	2809.4	2806.4	2804.2	2806.8	2809.5	2808.5	2813.3	2814.6	2798.1

	Apr 14	Apr 11	Apr 10	Apr 9	Apr 8	Yr ago
SEAQ bargains	41,498	44,222	39,483	40,724	42,078	35,236
Equity turnover (£m)†	-	NA	1797.3	2074.5	1918.9	1659.3
Equity bargains†	-	NA	37,019	41,345	42,377	40,905
Shares traded (mil)†	-	NA	646.5	957.7	994.5	896.8

†Excluding intra-market and overseas turnover but including Crest turnover.

	Apr 14	Apr 11	Apr 10	Apr 9	Apr 8	Yr ago	*High	*Low
FTSE AIM	1088.4	1090.5	1089.3	1091.5	1090.2	1005.5	1140.4	965.7

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London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	324	Total Highs	25	Total contracts	36,195
Total Falls	1,094	Total Lows	96	Calls	16,981
Same	993			Puts	18,214

Apr 14 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4248.0	4273.0	-	4280.0	4241.0	12329	51092
Sep	4287.0	4299.0	-	4287.0	4287.0	1	7895

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		4514.0	-28.0			0	4833

FTSE 100 INDEX OPTION (LIFFE) (*4253) £10 per full index point

	4100 C	4100 P	4150 C	4150 P	4200 C	4200 P	4250 C	4250 P	4300 C	4300 P	4350 C	4350 P	4400 C	4400 P	4450 C	4450 P
Apr	163	1½	114½	3	69	9	32	23	10½	53	2	97	1	147	1	197
May	194½	29	156	40½	119	53	86½	73	61½	96½	39	125½	24	161½	13	202½
Jun	233½	59	195	70	160½	87½	127½	105½	99½	128½	76½	156½	55½	186½	41	222
Jul	262	70½	227	86½	191½	102½	161	123½	132½	146	103½	169	82½	199	63	230
Dec†	351	128½			286½	162			227	202½			175½	252		

Calls 4,440 Puts 3,834

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4075 C	4075 P	4125 C	4125 P	4175 C	4175 P	4225 C	4225 P	4275 C	4275 P	4325 C	4325 P	4375 C	4375 P	4425 C	4425 P
Apr	184	1½	135½	3	89	6	48	15	18	36	5½	72	1	117½	1	167
May	214	25½	173½	34	135½	46	101½	62	73	83	49½	109	31½	141	18½	177½
Jun	248	52	210½	64	175	78	142½	95	112½	114½	88½	138	65½	165	47½	198
Sep			276½	108½			211½	139			154½	179½			100½	231
Dec†			335½	131½			271	163			213	201			168	247½

Calls 4,563 Puts 6,994 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§100	F.P.	25.0	100	99	Aurora Inv Trust	100		-	-	-	-
§100	F.P.	66.0	103½	86½	†Avalon Oil	86½	-3	-	-	-	-
	F.P.	739.5	142½	124	Avis Europe	127	-2½	NO4.1	2.7	3.2	14.4
§	F.P.	6.33	41½	41½	†Bickerton	41½		-	-	-	23.2
§500	F.P.	124.3	620	562½	Cambridge Antibody	570		-	-	-	-
§40	F.P.	12.5	65	55	†Charlton Athltc	57	-3½	-	-	-	-
	F.P.	38.0	95	95	Close Bros Pr VCT	95		-	-	-	-
§	F.P.	57.9	335	290	Diagonal	313	-8½	-	-	-	40.7
§	F.P.	10.9	72½	70½	Donatantonio	72		L2.25	1.7	3.9	13.2
§175	F.P.	57.3	207½	175	Harvey Nash	205½	-1	F4.0	-	2.4	-
§175	F.P.	25.9	212½	198	Heal's	212½		L3.9	3.1	2.3	15.5
§100	F.P.	18.7	130½	114½	Helphire Group	114½	-½	R0.8	5.1	0.9	14.0
100	F.P.	35.9	102½	92½	Murray VCT 2	102½		-	-	-	-
§135	F.P.	191.2	144½	133½	Newcastle Utd	133½	-2½	u1.6	-	1.5	-
*40	F.P.	1.71	28½	28½	†Northstar Secs	28½		-	-	-	-
	F.P.	4.73	95	95	Oxford Tech Vent	95		-	-	-	-
§17	F.P.	3.80	50½	17½	Pathfinder Props	35½	-2	-	-	-	-
§	F.P.	3.15	3	2½	†Prestbury Leisur	2½		L0.32	5.4	16.0	10.1
§	F.P.	19.3	122½	115½	†Q Group	115½		-	-	-	-
-	F.P.	39.5	18	12½	†Sibir Energy	15½	-½	-	-	-	-
-	F.P.	12.4	107½	107½	†Torch Hldgs	107½		-	-	-	-
-	F.P.	71.6	81½	59	Utd Overseas Grp	60	-½	-	-	-	13.0
	F.P.	22.6	147½	143½	Whitehead Mann	145½		§4.35	2.2	3.7	14.0
§	F.P.	-	177	177	Worldsec	177		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Apr 11	% chg on day	Apr 10	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (32)	1590.37	-1.9	1621.08	2386.38	2.10	-	2392.86	1590.37
Regional Indices								
Africa (14)	1920.22	+0.1	1918.05	3036.81	4.65	30.41	3197.52	1888.95
Australasia (6)	1852.46	-1.0	1870.95	2588.67	2.91	20.02	2844.14	1850.86
North America (12)	1466.60	-2.9	1509.68	2131.07	0.91	57.23	2131.07	1466.60

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FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Apr 14	Day's chge%	Apr 11	Apr 10	Apr 9	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4251.7	-0.4	4270.7	4313.2	4292.3	3790.5	3.79	2.08	15.96	60.68	1803.78
FTSE 250	4505.8	-0.6	4533.8	4544.3	4539.6	4416.7	3.56	1.54	22.78	49.34	1866.68
FTSE 250 ex IT	4549.4	-0.6	4576.4	4587.2	4581.5	4447.8	3.64	1.57	21.90	50.65	1889.84
FTSE 350	2097.4	-0.5	2107.5	2125.1	2116.6	1908.0	3.75	1.96	17.02	28.46	1810.72
FTSE 350 Higher Yield	2032.2	-0.4	2040.8	2054.8	2041.2	1845.4	4.85	1.83	14.04	33.73	1489.58
FTSE 350 Lower Yield	2168.5	-0.5	2180.2	2202.0	2196.8	1978.2	2.62	2.20	21.71	22.78	1539.01
FTSE SmallCap	2289.23	-0.4	2297.47	2295.62	2290.93	2130.37	3.05	1.68	24.35	21.65	1930.80
FTSE SmallCap ex IT	2305.21	-0.2	2310.47	2307.86	2302.18	2118.78	3.23	1.78	21.98	23.02	1959.43
FTSE All-Share	2070.00	-0.5	2079.82	2095.70	2087.56	1885.31	3.69	1.94	17.43	27.44	1818.63

FTSE Actuaries Industry Sectors

	Apr 14	Day's chge%	Apr 11	Apr 10	Apr 9	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	3969.77	-1.2	4018.83	4039.33	4022.26	3507.85	3.78	2.15	15.48	69.22	1770.21
12 Extractive Industries(5)	4037.04	+0.6	4003.46	4048.80	4016.85	4484.26	3.90	2.39	13.43	96.06	1231.34
15 Oil, Integrated(3)	4068.13	-1.5	4131.70	4150.71	4135.12	3539.17	3.99	2.11	14.84	70.72	1863.94
18 Oil Exploration & Prod(12)	3455.28	-0.6	3477.20	3500.77	3488.45	2471.70	1.87	2.18	34.14	34.64	2114.93
20 GEN INDUSTRIALS(270)	1963.22	-0.4	1970.95	1990.00	1994.72	2125.68	4.06	1.88	16.39	24.10	1111.65
21 Building & Construction(35)	1323.00	-0.3	1327.09	1322.49	1322.22	1199.12	3.24	1.90	20.30	17.58	1144.55
22 Building Matls & Merchs(31)	1842.87	-0.3	1848.11	1873.55	1891.68	1961.64	4.36	2.77	10.35	24.04	964.83
23 Chemicals(26)	2241.07	-1.0	2262.81	2284.39	2302.99	2563.78	4.88	1.58	16.84	38.84	1106.30
24 Diversified Industrials(16)	1446.95	-0.6	1455.20	1477.25	1473.90	1790.13	4.99	1.82	13.78	27.90	852.15
25 Electronic & Elect Equip(38)	2172.54	-0.2	2176.23	2186.10	2196.00	2401.68	3.63	1.55	22.23	7.68	1157.91
26 Engineering(70)	2542.18	-0.4	2553.15	2581.39	2581.27	2432.39	3.32	2.44	15.40	24.05	1587.58
27 Engineering, Vehicles(13)	2844.17	+0.1	2841.19	2883.87	2899.53	2977.68	3.91	‡	‡	27.36	1516.28
28 Paper, Pckg & Printing(27)	2481.13	-0.1	2483.12	2488.77	2497.41	2744.26	4.21	1.65	15.75	38.68	1074.51
29 Textiles & Apparel(14)	1095.32	-0.3	1098.13	1100.41	1098.46	1489.26	6.43	0.94	20.75	10.66	699.86
30 CONSUMER GOODS(84)	4135.03	-0.4	4150.75	4172.51	4138.18	3451.55	3.66	1.83	18.71	73.08	1581.53
32 Alcoholic Beverages(7)	2884.89	-1.0	2913.59	2936.22	2888.97	2627.56	4.55	1.89	14.54	82.25	1092.06
33 Food Producers(25)	2840.59	-0.6	2856.68	2872.72	2847.81	2482.15	3.89	1.87	17.20	44.90	1335.43
34 Household Goods(17)	2840.64	+0.3	2832.30	2828.82	2839.32	2627.77	3.63	2.31	14.88	50.52	1169.52
36 Health Care(15)	2239.06	-0.3	2246.06	2246.63	2217.94	1920.90	2.65	1.63	28.83	13.35	1391.82
37 Pharmaceuticals(18)	6500.45	-0.2	6512.84	6555.18	6490.52	4828.41	2.83	1.72	25.70	94.65	2278.52
38 Tobacco(2)	4269.32	-0.3	4282.26	4275.50	4319.13	4193.09	8.34	1.89	10.43	147.58	1136.60
40 SERVICES(273)	2585.27	-0.6	2601.59	2621.93	2616.35	2479.89	3.00	1.97	21.16	24.49	1383.77
41 Distributors(30)	2660.32	-0.4	2670.13	2660.40	2645.81	2828.87	3.42	1.82	18.07	29.19	1011.10
42 Leisure & Hotels(31)	3373.96	-0.7	3398.79	3445.96	3445.21	3135.02	2.70	1.74	26.66	56.40	1865.81
43 Media(44)	4133.10	-0.5	4154.07	4208.56	4207.51	4196.32	2.38	1.99	26.49	44.35	1529.59
44 Retailers, Food(15)	1985.83	-0.9	2003.90	2030.58	2019.61	1951.07	4.06	2.30	13.42	22.51	1307.67
45 Retailers, General(53)	2044.01	-0.5	2054.74	2052.14	2061.36	2058.22	3.25	2.06	18.70	13.48	1201.82
47 Breweries, Pubs & Rest.(22)	3242.34	-0.9	3272.89	3305.92	3306.58	3072.24	3.35	2.10	17.78	17.33	1599.53
48 Support Services(56)	2842.02	-0.8	2865.30	2863.27	2865.47	2202.10	1.88	2.60	25.50	16.91	1845.46
49 Transport(22)	2734.45	-0.4	2746.00	2756.78	2743.98	2416.56	3.56	1.27	27.75	29.34	1181.24
60 UTILITIES(32)	2739.13	+0.2	2733.06	2747.18	2708.11	2574.56	4.86	1.54	18.64	5.34	1244.85
62 Electricity(9)	3017.97	+1.5	2973.40	2979.71	2919.24	2822.77	5.62	2.22	10.01	22.08	1666.95
64 Gas Distribution(2)	1636.82	+0.8	1623.38	1606.54	1582.99	1813.72	7.45	‡	‡	0.00	895.82
66 Telecommunications(9)	2251.12	-0.5	2262.59	2287.70	2268.44	2187.88	3.89	1.70	19.89	0.38	1062.89
68 Water(12)	2553.31	+0.1	2549.50	2550.26	2488.76	2181.85	5.83	2.33	9.19	0.00	1476.75
69 NON-FINANCIALS(679)	2131.71	-0.5	2141.86	2156.75	2147.44	2012.15	3.72	1.66	18.08	25.23	1681.15
70 FINANCIALS(106)	3746.21	-0.4	3781.05	3803.58	3791.75	2870.21	3.82	2.32	14.06	74.06	1685.23
71 Banks, Retail(8)	5458.65	-0.4	5482.09	5560.93	5547.15	3891.07	3.66	2.65	12.69	122.52	1868.48
73 Insurance(18)	1623.06	-0.1	1624.55	1650.89	1641.09	1389.55	5.31	2.30	10.22	37.26	1284.75
74 Life Assurance(7)	4465.44	-0.4	4484.69	4504.70	4475.22	3574.48	3.94	1.78	17.96	95.37	1939.56
77 Other Financial(29)	3047.30	-0.8	3066.69	3070.59	3063.91	2567.96	3.42	1.91	19.13	32.60	1799.67
79 Property(44)	1860.21	-0.3	1865.21	1871.44	1869.47	1487.23	3.43	1.30	28.02	10.29	1182.28
80 INVESTMENT TRUSTS(127)	3205.32	-0.9	3233.86	3238.77	3243.39	3195.48	2.28	1.13	48.52	22.75	1143.29
89 FTSE All-Share(912)	2070.00	-0.5	2079.82	2095.70	2087.56	1885.31	3.69	1.94	17.43	27.44	1818.63
FTSE Fledgling	1298.21	-0.3	1302.64	1299.85	1299.42	1191.05	3.02	0.78	53.07	10.37	1392.23
FTSE Fledging ex IT	1323.53	-0.2	1326.81	1323.54	1322.70	1194.26	3.31	0.74	50.65	11.18	1422.29

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4232.9	4234.4	4254.8	4248.3	4243.0	4242.5	4246.9	4245.3	4253.7	4255.8	4232.9
FTSE 250	4503.6	4502.1	4505.1	4504.7	4502.7	4502.8	4502.8	4503.8	4505.9	4506.0	4501.7
FTSE 350	2089.8	2090.3	2098.8	2096.3	2093.7	2093.5	2095.2	2094.7	2098.2	2098.8	2089.8

Time of FTSE 100 Day's high: 3:44 PM Day's low: 8:30 AM. FTSE 100 1996/97 High: 4444.3 (11/03/97) Low: 4056.6 (10/01/97).

FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1218.9	1219.6	1218.5	1218.7	1218.1	1220.6	1221.2	1221.5	1223.8	1224.2	1231.6	-7.4
Pharmaceuticls	6379.0	6383.3	6401.8	6397.5	6391.3	6394.5	6414.2	6408.0	6422.4	6415.8	6430.3	-14.5
Water	2533.2	2528.4	2547.1	2544.8	2548.9	2545.0	2545.8	2545.8	2549.2	2549.2	2545.4	+3.8
Banks, Retail	5517.2	5504.2	5545.7	5525.9	5504.1	5509.5	5523.3	5521.9	5528.6	5528.3	5552.1	-23.8

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810. The FTSE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FTSE International in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	197	503½	-1
ASDA Group†	10,500	111¼	-¾
Abbey National†	2,900	785	+6¼
Airtours	83	930½	-2
Albert Fisher	455	47¾	-¼
Allied Domecq†	1,000	430	-1

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 14 / Sch)

BELGIUM/LUXEMBOURG (Apr 14 / Frs.)

CZECH REP (Apr 14 / Korona)

DENMARK (Apr 14 / Kr)

FINLAND (Apr 14 / Mka)

FRANCE (Apr 14 / Frs.)

GERMANY (Apr 14 / Dm.)

GREECE (Apr 14 / Drachma)

ITALY (Apr 14 / Lira)

NETHERLANDS (Apr 14 / Fls.)

NORWAY (Apr 14 / Kroner)

POLAND (Apr 14 / Zloty)

PORTUGAL (Apr 14 / Escudo)

SPAIN (Apr 14 / Pts.)

SWEDEN (Apr 14 / Kronor)

SWITZERLAND (Apr 14 / Frs.)

TURKEY (Apr 14 / Tk Lira)

PACIFIC

JAPAN (Apr 14 / Yen)

AUSTRALIA (Apr 14 / Aust$)

HONG KONG (Apr 14 / H.K.$)

INDONESIA (Apr 14 / Rupiah)

MALAYSIA (Apr 14 / MYR)

NEW ZEALAND (Apr 14 / NZ $)

SINGAPORE (Apr 14 / S$)

SOUTH KOREA (Apr 14 / Won)

TAIWAN (Apr 14 / TW $)

THAILAND (Apr 11 / Baht)

NORTH AMERICA

CANADA

TORONTO (Apr 14 / Can $)

4 pm close

MONTREAL (Apr 14 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Apr 14 / Rand)

Prices supplied by Extel, part of FT Information

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ¶ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

	Apr 14	Apr 11	Apr 10	1997 High		1997 Low	
Argentina							
General(29/12/77)	(u)	19839.95	20087.46	22551.32	24/2	18237.37	2/1
Australia							
All Ordinaries(1/1/80)	2365.1	2380.5	2392.9	2501.70	18/2	2302.20	1/4
All Mining(1/1/80)	879.7	889.9	903.5	987.10	24/2	879.70	14/4
Austria							
Credit Aktien(30/12/84)	385.72	386.47	388.43	416.23	11/3	374.40	9/1
Traded Index(2/1/91)	1164.40	1163.95	1176.79	1256.43	11/3	1130.22	9/1
Belgium							
BEL20(1/1/91)	2096.34	2114.52	2120.89	2228.77	11/3	1871.06	2/1
Brazil							
Bovespa(29/12/83)	(u)	9518.0	9733.0	9837.00	7/4	6865.50	2/1
Canada							
Metals Minls♦(1975)	(u)	4045.96	5022.92	5891.76	10/3	4945.96	11/4
Composite♦(1975)	(u)	5683.80	5790.10	6332.90	10/3	5683.80	11/4
Portfolio$$(4/1/83)	(u)	2846.02†	2909.50	3214.70	10/3	2846.02	11/4
Chile							
IGPA Gen¥(31/12/80)	(u)	5378.99	5410.95	5443.52	25/2	4812.42	2/1
Denmark							
CopenhagenSE(3/1/83)	529.86	537.47	532.79	555.49	11/3	470.14	2/1
Finland							
HEX General(28/12/90)	2768.42	2811.83	2849.16	3008.36	11/3	2483.28	2/1
France							
SBF 250(31/12/90)	1734.31	1756.27	1755.34	1815.38	10/3	1533.18	2/1
CAC 40(31/12/87)	2566.13	2574.56	2607.97	2709.21	10/3	2256.57	2/1
Germany							
FAZ Aktien(31/12/58)	1138.40	1160.93	1160.45	1192.08	11/3	986.21	2/1
Commerzbank(1/12/53)	3317.7	3383.1	3384.9	3472.20	27/3	2875.90	2/1
DAX‡(30/12/87)	3278.90	3340.05	3351.48	3460.69	11/3	2848.77	2/1
Greece							
Athens SE(31/12/80)	1394.86	1421.03	1419.02	1483.80	28/2	984.54	2/1
Hong Kong							
Hang Seng(31/7/64)	12205.97	12516.60	12358.70	13868.24	20/1	12055.17	3/4
India							
BSE Sens.(1979)	(c)	3633.73	3598.37	3944.61	4/3	3225.24	2/1
Indonesia							
Jakarta Comp.(10/8/82)	635.16	637.14	635.55	712.68	25/2	635.16	14/4
Ireland							
ISEQ Overall(4/1/88)	2869.83	2905.36	2906.82	3058.83	11/3	2725.07	2/1
Italy							
Banca Comm Ital(1972)	756.15	756.62	752.91	797.71	10/2	642.56	3/1
MIB General(2/1/87)	1137.0	1138.0	1132.0	1197.00	10/2	991.00	2/1
Japan							
Nikkei 225(16/5/49)	17682.47	17846.96	17489.75	19446.66	6/1	17303.65	10/1
Nikkei 300(1/10/82)	257.69	259.67	256.73	282.45	6/1	251.04	27/1
Topix(4/1/68)	1327.51	1338.53	1320.62	1480.86	6/1	1320.62	10/4
2nd Section(4/1/68)	1521.35	1527.31	1540.00	1829.21	6/1	1521.35	14/4
Malaysia							
KLSE Comp.(4/4/86)	1161.09	1138.36	1147.96	1271.57	25/2	1101.60	14/4
Mexico							
IPC(Nov 1978)	(u)	3764.48	3821.75	3938.88	25/2	3359.46	2/1
Netherland							
CBS TRtnGen(End 83)	831.1	840.4	847.8	885.70	11/3	730.80	2/1
CBS All Shr(End 83)	485.9	492.4	496.8	519.80	11/3	429.00	2/1
New Zealand							
Cap. 40(1/7/86)	2227.10	2232.98	2233.85	2440.21	20/1	2207.48	1/4
Norway							
Oslo SE(Ind)(2/1/83)	1782.47	1783.84	1805.17	1941.49	20/2	1639.03	2/1
Philippines							
Manila Comp(2/1/85)	2932.84	2976.70	2948.02	3447.60	3/2	2909.30	8/4
Portugal							
BVL 30(4/1/93)	2571.24	2575.73†	2566.16	2643.19	11/3	2165.57	2/1
Singapore							
SES All-S'pore(2/4/75)	501.91	509.72	516.86	573.03	17/2	501.91	14/4
South Africa							
JSE Gold(28/9/78)	1283.0¥	1306.8	1310.9	1588.10	27/2	1283.00	14/4
JSE Ind.(28/9/78)	9188.8¥	8214.0	8243.7	8425.52	25/2	7859.50	2/1
South Korea							
KoreaCmpEx**(4/1/80)	704.20	693.94	688.04	721.90	14/2	611.05	7/1
Spain							
Madrid SE(30/12/85)	473.06	475.46	479.06	489.60	10/3	404.54	2/1
Sweden							
AffarsvarldenGen(1/2/37)	2642.5	2668.2	2688.9	2882.40	10/3	2378.50	2/1
Switzerland							
Swiss Bk Ind(31/12/58)	2191.26	2204.61	2198.87	2224.60	10/3	1817.96	13/1
SBC General(1/4/87)	1529.04	1539.91	1534.77	1557.81	11/3	1318.14	6/1
Taiwan							
WeightedPr.**(30/6/66)	8639.37	8593.08	8584.12	8655.82	9/4	6844.75	6/1
Thailand							
Bangkok SET(30/4/75)	(c)	713.62	715.33	858.97	22/1	676.65	6/3
Turkey							
IMKB Nat 100(1986)	1502.00	1505.00	1514.00	1654.00	21/3	995.00	2/1
WORLD							
MS Capital Intl(1/1/70)	790.5*	794.9	805.6	854.40	25/2	790.50	14/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	2145.23	2170.87	2170.14	2281.93	11/3	1893.80	2/1
Euro Top-100(26/6/90)	1825.82	1809.74†	1844.93	1894.47	11/3	1562.88	2/1
HSBC JC Drgn(31/12/88)	(u)	391.77	391.15	429.46	20/1	367.20	3/4
ING Bmgs Emrg(7/1/92)	172.83	175.07†	175.45	181.33	26/2	159.74	3/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x index)							
Apr	2536.0	2563.0	-3.0	2572.0	2523.0	12,117	23,001
May	2517.5	2548.5	-3.0	2553.5	2517.5	176	4,167
■ DAX							
Jun	3270.0	3308.0	-9.5	3312.0	3261.0	24,070	-
Sep	3296.0	3332.5	-8.5	3333.5	3293.0	30	-
■ OMX							
Apr	2040.00	2041.00	-26.00	2048.50	2033.50	4,290	21,472
May	2034.50	2035.00	-19.50	2039.50	2033.00	602	985
■ SOFFEX							
Apr	4545.0	4580.0	-12.0	4593.0	4535.0	7,355	27,617
May	4518.0	4566.9	-25.0	4557.0	4518.0	1,941	4,457

** Sat Apr 12: Taiwan Wghtd Price 8487.88; Korea Comp Ex (u). Base values of all indices are 100 except: Australia All Ord & Mng - 500; Austria Trad, BEL20, HEX Gen, MIB Gen, BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Met & Min and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Ind - 264.3; IMKB Nat 100 - 1; NYSE All Comm - 50; Stand & P - 10 and Amex Comp - 550. $$ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ Indis BSE Sens Sat Apr 12 3580.72 ‡ IBIS/DAX after-hours: Apr 14 - 3297.52 -21.72. † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

US INDICES

Dow Jones	Apr 11	Apr 10	Apr 9	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	6391.69	6540.05	6563.84	7085.16 (11/3)	6391.69 (11/4)	7085.16 (11/3/97)	41.22 (8/7/32)
Home Bonds	161.33	161.67	191.45	103.63 (19/2)	161.33 (11/4)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2305.13	2428.90	2432.29	2469.59 (18/3)	2222.07 (2/1)	2469.59 (18/3/97)	13.23 (8/7/32)
Utilities	211.89	215.83	214.06	240.85 (22/1)	211.69 (11/4)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 6528.48 (6626.91) Low 6356.42 (6495.46) (Theoretical♦)
Day's high 6537.70 (6603.30) Low 6367.00 (6535.14) (Actual♦)

Standard and Poors	Apr 11	Apr 10	Apr 9	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	737.65	758.33	760.60	816.29 (18/2)	737.01 (2/1)	816.29 (18/2/97)	4.40 (1/6/32)
Industrials¥	865.42	888.92	891.65	950.96 (18/2)	865.42 (11/4)	950.96 (18/2/97)	3.52 (30/6/32)
Financial	83.20	86.15	86.63	97.28 (10/3)	80.75 (2/1)	97.28 (10/3/97)	7.13 (4/9/74)
NYSE Comp.	389.47	398.36	400.29	427.79 (10/3)	389.47 (11/4)	427.79 (10/3/97)	4.84 (25/4/42)
Amex Comp.	556.13	563.19	562.98	603.63 (10/3)	556.13 (11/4)	617.61 (22/5/96)	524.20 (16/7/96)
NASDAQ Comp	1206.90	1235.75	1249.43	1388.06 (22/1)	1201.00 (2/4)	1388.06 (22/1/97)	54.87 (3/10/74)

■ RATIOS

	Apr 11	Apr 4	Mar 21	Year ago
Dow Jones Ind. Div. Yield	1.94	1.87	1.89	2.17
	Apr 9	Apr 2	Mar 26	Year ago
S & P Ind. Div. yield	1.83	1.88	1.77	1.92
S & P Ind. P/E ratio	21.72	21.45	22.54	20.83

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Boston Sci	9,959,600	45⅝	-14⅞
Ph Morris	8,307,700	38⅝	+⅝
Chrysler	6,505,200	28⅞	-1
Seagate Tc	5,421,000	45⅞	-3⅞
Micron Tc	5,192,600	35⅝	-½
Coca Cola	4,834,100	53⅞	-3⅞
Ws Digital	4,443,000	62⅝	-3⅜
IBM	4,135,600	133⅜	+⅛
Compaq Cm	4,121,200	73⅛	-2⅞
Chase Man	3,557,000	90¼	-3⅞

■ TRADING ACTIVITY

● Volume (million)	Apr 11	Apr 10	Apr 9
New York SE	443.473	421.796	454.849
Amex	18.025	16.969	18.422
NASDAQ	545.685	532.070	574.434
NYSE			
Issues Traded	3,303	3,286	3,322
Rises	382	1,098	1,277
Falls	2,342	1,313	1,213
Unchanged	579	875	832
New Highs	12	38	56
New Lows	107	54	38

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Jun	738.25	740.00	+1.50	740.70	738.70	90,230	182,840
Sep	-	746.00	-	-	745.25	794	5,468

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
■ Nikkei 225							
Jun	17710.0	17640.0	-180.0	17820.0	17560.0	19,786	226,646
Sep	17700.0	17700.0	-	17700.0	17700.0	30	2,748

Open interest figures for previous day.

■ TOKYO - MOST ACTIVE STOCKS: Monday, April 14, 1997

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Credit Bk	23.0m	258	+18	Ind Bk of Japan	3.2m	1090	
Nippon Steel Cp	7.1m	359	-1	Shimizu Corp	3.2m	512	-38
Nomura Secs	5.8m	1130	-60	Obayashi Corp	3.1m	590	-42
Sumitomo Bank	4.9m	1220		Mitsui Fudosan	3.0m	1330	-10
Bk Tk-Mitsubishi	3.7m	1760	-90	Sakura Bank	2.9m	601	-9

4 pm close April 14

NEW YORK STOCK EXCHANGE PRICES

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A -								
30½	24¼	AAR	0.40	1.6	22	202	29½	29⅛	29⅜	
43	33⅛	AMP	1.04	3.0	26	4827	35	34¼	34¼	-⅛
90⅜	78¼	AMR			6	3786	82	80⅞	81	-⅛
37⅝	33¼	ASA	1.20	3.6	22	114	33¾	33⅝	33¾	
60½	48¾	Abbott L	1.08	2.0	22	1477	55½	53¾	55¼	+1½
17½	14⅛	Abitibi Pr	0.40	2.8	7	32	14½	14¼	14⅛	
19¾	17⅜	ABM Ind	0.40	2.2	16	107	18	17¾	18	
23	10	Acptnceln			9	70	18½	10¼	18⅜	
66⅜	56⅛	ACE Ltd	0.72	1.2	9	542	59⅜	57⅝	58¼	-1⅜
10¾	10	ACM Gvt In	0.80	8.0	10	136	10⅛	010	10	
7⅝	7	ACM OpFd	0.63	8.7		107	7⅜	7¼	7¼	
9⅞	9¼	ACM Man	0.90	9.5		116	9⅝	9½	9½	-⅛
10⅛	6¼	Acme Elec				43	6½	6⅜	6½	+⅛
20	14⅜	Acme Mtls			66	95	15	d14⅛	15	+¼
33	27¼	Acordia	0.60	2.5	15	52	31¾	31¾	31¾	
29¾	21¼	Acuson				958	21½	d21⅛	21½	+⅛
21	18⅝	Adams Exp	0.55	2.8	1	298	20	19¾	20	+⅛
48½	24⅞	AdvMic				22346	38¾	37⅛	38	-¼
15	10⅜	Advest Grp	0.08	0.2	9	127	13⅛	12¾	12⅞	-⅜
14⅝	11⅞	Advo Inc			27	242	12¼	11⅞	12	-⅛
73⅝	61⅛	Aegon	1.45	2.2	18	401	66⅛	65⅞	66½	+½

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

4 pm close April 14

NYSE PRICES

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
Continued from previous page										
43 1/4	36 3/8	SaraLee	0.84	2.1	20	7412	39 3/4	39 1/8	39 1/2	
58 1/4	48 5/8	SBC Cm x	1.79	3.6	14	11354	50 1/4	d49 3/8	50	-7/8
26 7/8	24 1/4	Scana Corp	1.51	6.2	11	926	24 3/8	d23 7/8	24 1/4	-1/8
9	7 5/8	SchawkA	0.28	3.2	37	6	8 1/8	8 1/8	6 3/4	+1/8
62	48 1/2	ScheringP			34	925	50 5/8	d49 1/2	50	+1/8
82	63 1/2	SchrPl	1.32	1.9	21	11746	70 5/8	69 1/4	70 1/2	-1/8
116 3/8	98	Schlmb	1.50	1.4	29	8815	105 1/2	103 1/8	103 3/4	+1 1/4
12 7/8	10	Schlr x	0.12	1.2	11	348	10 3/8	d9 7/8	9 7/8	-1/8
42	30 3/8	Schwab(C)	0.20	0.6	25	4145	33 3/8	31 7/8	33 3/8	+1
35 1/8	29 7/8	SchwMaud	0.60	1.9	13	484	32	31	32	+3/4
70 3/8	14 5/8	SciAtl♣	0.06	0.4	55	3721	15	d14 1/4	15	+3/8
39 3/8	23	Scotsmn x	0.10	0.4	14	16	26 1/2	26 3/8	26 3/8	-1/4
13 3/4	12 3/8	ScuddrNAsF	0.03	0.2		169	12 1/2	d12 1/8	12 3/8	
15 3/8	13 5/8	ScuddrNEuF	0.06	0.4		73	14 3/4	14 5/8	14 3/4	+1/8
18 5/8	15 1/8	SeaCnA♣	0.77	4.9	13	388	15 7/8	15 1/2	15 7/8	+3/8
16 3/4	15 1/4	SeaC1 A625	1.46	9.4		z100	15 5/8	15 5/8	15 5/8	+1/8
56 1/4	37 1/8	S'gate			15	38594	46 7/8	44	46 1/2	+1 1/4
42 3/4	36 3/8	Seagrm	0.66	1.8		4274	36 1/2	d35 3/4	36 1/8	-1/2
24 1/8	16 3/8	Seagull En			27	5054	17	d16 3/8	16 1/4	-1/8
48	39 1/4	Sealed Air			26	640	43 1/8	42 1/8	43 1/8	+1/8
56 5/8	44 5/8	SearsR	0.92	2.0	14	19111	46	45 1/8	45 7/8	-1/8
25	21	ScCpSBS♣	1.30	5.6	15	370	23 1/4	23	23 1/4	-1/8
12 7/8	12 3/8	Seligm Sel	0.84	6.7		143	12 3/8	12 1/2	12 1/2	
18	14 1/2	Sensormat	0.22	1.4		1291	17	16 1/8	16 1/4	-7/8
23 7/8	21	Yankee Egy	1.30	6.1	10	68	21 1/4	21 1/8	21 1/4	+1/8
56	38 1/2	York Int	0.48	1.2	12	1156	40 5/8	d38 7/8	40 5/8	+1
5	4	Zapata				213	4 1/4	4 1/8	4 1/4	+1/8
13 3/8	9 1/4	ZnithE				821	12	11 7/8	11 7/8	-3/8
27 7/8	25 7/8	Zenith Nat	1.00	3.9	12	191	26 1/8	d25 1/2	25 7/8	-1/2
7 1/2	7 1/8	Zenix Inc	0.73	10.1		135	7 1/4	d7 1/8	7 1/4	+1/8
23 3/4	17 3/4	Zero	0.12	0.0	14	58	18 7/8	18 3/8	18 7/8	+1/2
11 1/2	10 3/4	ZweigFd♣ z	1.16	10.5		451	11 1/8	11	11	
8 5/8	8	Zweig Tot x	0.84	9.9		254	8 1/2	8 3/8	8 1/2	+1/8

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

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NASDAQ NATIONAL MARKET

4 pm close April 14

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
- K -							
K Swiss x	0.08	100	z100	11 3/4	11 3/4	11 3/4	-1/4
Kaman Cp x	0.44	12	504	13 1/8	12 3/4	12 3/4	-1/8
Kelly Sv	0.84	13	547	26 1/4	d24 7/8	25 1/4	-1/2
Kimball x	1.04	14	109	37 1/4	d36 1/4	36 1/4	-1/4
KLA Instr		19	11923	41	39 1/4	41	-3/8
Koll A			114	3/32	d1/8	3/32	+1/32
Komag♣		14	5595	29 1/4	27 5/8	29 1/4	+1/4
Kulicke S			4018	25 5/8	24 1/2	25	+1/8
- R -							
Rainbow♣		12	107	17	16 1/2	16 1/2	-1/2
Rallys			710	3 1/2	3 1/4	3 5/16	-1/16
Raymond	0.25	14	1093	29 1/8	28 3/4	28 3/4	+1/8
RCSB Fin z	0.60	10	1933	30 1/4	28 7/8	29 1/2	-5/8
Read-Rite			16557	29 5/8	28 1/8	29 3/8	+5/8
Wet SealA		20	764	24 1/2	23	23 1/2	-1 1/4
Wilmtie	1.28	28	z0	63 1/2	d63 1/2	63 1/2	
WmsSonoma		34	499	30 1/2	29 1/2	30 3/8	+1/2
Wolohan L	0.28	13	18	12 5/8	12 1/4	12 1/4	
Worldcm			39371	22 3/4	22 1/4	22 5/8	+1/8
Worthinds	0.48	19	2965	18 1/4	d17 3/8	18 1/4	+3/4
WPP ADR	0.10	22	203	40 1/4	39 7/8	40 1/4	-1/2
Wyman-Gdn	0.40	29	822	22 1/2	21 5/8	22 1/2	+7/8
- X - Y - Z -							
Xilinx♣		28	19897	48 1/2	46 1/2	47 7/8	+3/8
Xircom		27	2799	18 3/4	15 3/8	15 3/8	-3/8
Xomq Corp			2062	5 1/8	d4 15/16	5 1/16	+1/16
Yellow			3893	19 1/2	18	19 7/16	+1 7/16
York Rsch		18	383	9	7 3/4	0	+1/16
ZionsUtah x	1.78	10	320	115 3/8	113 1/2	114 3/4	-3/8

AMEX PRICES

4 pm close April 14

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members. EASDAQ Members are made up of Brokers and Banks from across Europe.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$7.625		0	8.25	7.375	Esprit Telecom ADS	US$10.125	-0.125	1000	12.5	9.75
Artwork Systems	US$10.375	-0.125	1475	11.375	10.25	Innogenetics	US$11.875	-0.125	14005	12.625	10.5
Chemunex	FFr17.5		21000	19	17	Mercer Internl.	US$9.25		0	11.375	9
Dr Solomon's ADS	US$24.125	-0.375	1000	30	20.875	PixTech	US$4.25	-0.375	0	6.25	4.375

Prices for 14/4/97. Please note that trading prices are currently used to calculate highs and lows.

Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be
EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 201 and in London (Tel. 44-171 / 489 9990).

FINANCIAL TIMES Tuesday April 15 1997

Dow moves lower at midsession

AMERICAS

Stocks moved slightly lower in early New York trading, although traders appeared preoccupied with data which were not yet available, *writes John Authers in New York.*

Fears of a continued sell-off, influenced by technical factors, following Friday afternoon's fall on low volume of almost 150 points in the Dow Jones Industrial Average proved exaggerated.

But announcements from a number of blue-chip companies in a range of sectors that their first-quarter earnings were significantly better than analysts had expected failed to boost stock prices. The latest consumer price index figures, due this morning, also held some investors back.

All indices were down for the day, but were not showing the sharp losses which had become characteristic during the market correction of the last three weeks. By 12.45pm, the Dow was down 26.89 at 6,364.8, while the broader Standard & Poor's 500 had slipped 3.32 to 734.33.

The Nasdaq Composite, which includes the most closely watched high-technology companies, was also down, off 5.85 at 1201.05.

High-tech shares endured a mixed performance, however, with some of the best known names registering strong improvements. First-quarter results from Intel, the largest semiconductor manufacturer, were due to be published immediately after the market's close, and speculation helped push the share higher, up 4⅞ to $131⅞. Microsoft, gained $⅞ to $95⅞.

Companies that significantly bucked the trend included Coca-Cola, up $1¼ to $55 on the strength of first-quarter results that beat analysts' expectations, and Travelers, which also published results that the market liked, up $¾ at $47⅛.

But NationsBank, the fourth-largest US bank, slipped $½ to $55 in spite of announcing earnings per share of 94 cents, ahead of analysts' forecasts of 92 cents.

Bank of New York, one of the leading players in the securities processing business, also slipped, down $⅛ to $33⅞, on results which exceeded expectations.

TORONTO continued to slip lower in early trading, overshadowed by the uncertain opening on Wall Street. The 300 composite index was off 14.24 at 5,669.40 at noon.

Alcan Aluminium, a dull market lately on the back of base metal price concerns, hardened 25 cents to C$43.00 and there were a number of strong features among second liners.

Mexico City still quiet

Latin American markets stayed on the downside. "Basically, we're following the US, but there is very little activity," said one London-based broker.

MEXICO CITY, off 1.5 per cent at the close on Friday, opened nervously and the IPC index was trailing by 42.56 or 1.1 per cent at 3,721.90 at midsession. Telmex, the telecoms group, dipped 10 centavos to 15.75 pesos in 3.1m shares traded.

SANTIAGO made one or two attempts at an early rally, but by late morning the leaders were streaming lower. The IPSA index was off 0.57 at midsession, dipping to 117.75. The uncertain mood on Wall Street and talk of power rationing as a result of this year's drought conditions kept sentiment subdued, brokers said.

CARACAS also ended the morning session with a sizeable decline. The IBC index was down 39.78 at 6,202.23 at midsession.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	† Year	Start of 1997	Start of 1997	Start of 1997
Austria	-0.27	-4.29	+11.25	+3.53	-2.61	-7.52
Belgium	+1.29	-2.77	+26.50	+12.47	+5.73	+0.41
Denmark	+2.78	-3.74	+35.61	+12.06	+6.00	+0.66
Finland	+3.59	-5.22	+53.69	+12.64	+6.15	+0.80
France	+2.28	-2.25	+25.15	+11.37	+5.12	-0.18
Germany	+2.91	-0.32	+31.29	+15.84	+8.04	+3.55
Ireland	+2.00	-1.47	+24.84	+8.63	+4.55	-0.72
Italy	+3.58	+1.38	+25.01	+16.05	+9.40	+3.89
Netherlands	+2.47	-4.18	+32.85	+11.33	+4.84	-0.64
Norway	+2.78	-3.64	+30.09	+8.83	+4.93	-0.36
Spain	+2.22	-1.91	+42.69	+7.32	+1.25	-3.84
Sweden	+0.66	-4.86	+41.94	+11.39	+4.16	-1.09
Switzerland	+2.88	-0.80	+27.81	+18.63	+12.35	+6.69
UK	+0.70	-3.60	+12.28	+3.07	+3.07	-2.12
EUROPE	+1.83	-2.53	+23.49	+9.34	+5.49	+0.17
Australia	+0.41	-0.82	+8.11	-0.83	+3.35	-1.85
Hong Kong	+1.81	-2.12	+5.56	-10.51	-5.93	-10.67
Indonesia	+0.85	-2.96	n.a.	+0.57	+4.00	-1.24
Japan	-2.02	-0.55	-18.14	-8.29	-11.13	-15.61
Malaysia	+0.40	-10.47	+1.48	-7.05	-1.32	-6.29
New Zealand	-0.25	+0.20	+1.02	-6.64	-3.38	-8.28
Philippines	-2.59	-8.34	n.a.	-11.21	-6.72	-11.42
Singapore	-1.31	-2.84	-10.35	-5.05	-2.95	-7.64
Thailand	-0.19	+7.23	-52.59	-10.37	-7.23	-11.90
Canada	-2.27	-8.41	+14.78	-4.31	-1.11	-6.09
USA	-2.71	-7.13	+16.45	-0.86	+4.40	-0.86
Brazil	-1.38	-1.28	+71.42	+29.21	+33.50	+26.79
Mexico	+0.43	+0.20	+18.80	+11.14	+18.31	+10.45
South Africa	+0.53	-0.77	+5.32	+6.81	+18.25	+12.30
WORLD INDEX	-1.10	-4.56	+9.55	+0.29	+1.75	-3.38

† Based on April 11th 1997.

Hesitant bourses pick up from day's lows

EUROPE

Wall Street opened steadily, shedding a further 14 points by the close of the European trading day, and leading bourses bounced gently off their lows as a result.

PARIS concentrated on the resumption of trading in Suez and Lyonnaise des Eaux, which formally unveiled merger plans on Friday. Business in both stocks was brisk, with Suez ending FFr5.30 higher at FFr759 and Eaux adding FFr1 to FFr541.

Rhône Poulenc showed relative strength ahead of today's analysts meeting, easing 1 centime to FFr174.1 and there was good demand for Accor and Air Liquide. Accor, up FFr14.00 at FFr860, was one the day's best performers. Liquide gained FFr11.00 to FFr881.

Renault slipped 70 centimes to FFr143.6 after the company said the closure of its Belgian plant might be delayed for several weeks or months. SGS Thomson fell FFr18.80 or 4.3 per cent to FFr378 after disappointing results.

At the close, the CAC 40 was 18.95 lower at 2,555.61, but a full 27 points above the low for the session.

FTSE Actuaries Share Indices

Apr 14 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2145.88	2145.23	2145.73	2145.03	2145.07	2145.69	2145.75	2145.23
FTSE Eurotrack 200	2172.35	2170.12	2170.47	2169.02	2168.75	2169.19	2168.74	2169.78

	Apr 11	Apr 10	Apr 8	Apr 8	Apr 7
FTSE Eurotrack 100	2170.67	2170.14	2169.11	2147.41	2136.34
FTSE Eurotrack 200	2193.75	2193.08	2192.60	2170.67	2164.76

Base value 1000 (26/10/90). High/day: 100 - 2146.62 200 - 2172.85 Low/day: 100 - 2144.32 200 - 2168.95. † Partial.

FRANKFURT saw a clear shakeout in chemicals and profit-taking at Volkswagen. The Dax ended off 21.71 at an Ibis-indicated 3,297.52. This was 40 points above the day's low.

Hoechst dropped DM2.68 or 4 per cent to DM64.4 and BASF and Bayer were also weak, dipping DM1.40 to DM65.30 and DM1.55 to DM67.20 respectively. Banks were dull too, Deutsche Bank fell DM1.93 to DM87.

VW, up more than 13 per cent in two days following last week's strong results, fell back DM22.50 to DM1,050. Daimler-Benz, which reports tomorrow, added a further 25 pfg to DM134.75. Lufthansa added 7 pfg to DM22.18 after a German press report that the airline's first-quarter earnings were running well above budget.

AMSTERDAM ended 8.17 lower at 71.6.21 on the AEX index. Financials led the way down with ING sliding Fl 2.21 or 3 per cent to Fl 71.00 and Fortis Amev losing Fl 1.40 to Fl 67.80. Bolswessanen, which was reported as saying that it was close to a US takeover, jumped 40 cents to Fl 37.10.

Ahead of today's results, Oce-van der Grinten fell Fl 4.00 to Fl 233 but Vendex added 50 cents to Fl90.90.

ZURICH put in a resilient performance, as the firmer dollar and short covering picked the SMI index up from a low of 4,537.3 to close 17.9 weaker on the day at 4,586.3.

Roche certificates were out of favour ahead of 1997 first-quarter sales figures, and its annual press conference today. The certificates fell SFr320 to SFr11,930.

In the opposite direction, Holderbank, the cement manufacturer, picked up SFr7 to SFr1.128 ahead of 1996 full-year results due after the market closes today. A number of analysts have issued buy recommendations on the stock in spite of some expectations of a small fall in 1996 profits.

Nestlé overcame early weakness to close SFr17 higher at SFr1,717.

MILAN was broadly steady, still supported by hopes that the central bank would cut the discount rate, perhaps as early as next week, after publication of preliminary inflation data.

The Comit index eased 0.47 to 756.15.

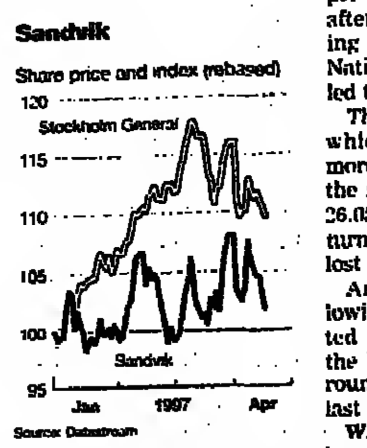
Olivetti tumbled L32.3 to L530.5 on fears that the company could be planning another capital restructuring after continuing heavy losses.

Banks were mostly firm on merger speculation. BCI rose L60 to L3,518 and Mediobanca was L231 ahead at L10,395 on press reports of a possible merger. San Paulo rose L122 to L11,584 on talk of a possible merger with IMI, the investment bank. IMI fell L84 to L14,917.

STOCKHOLM saw a sharp early pull-back in Sandvik, the toolmaker and engineer, after Skanska, the construction group, said it was selling its entire holding, worth about SKr10bn.

Sandvik

Share price and index (rebased)



Source: Datastream

Sandvik B shares slumped SKr25.5 in early trade but soon recovered to close SKr6.5 weaker at SKr187 as the company said that it would redeem shares worth SKr4bn at a 3 per cent discount to the market price.

Skanska picked up SKr6 at SKr330 as the company said the sale of its Sandvik stake would give it a SKr9.1bn capital gain.

The broad market was weak, with the general index losing 28.98 to 2,603.68.

ATHENS turned back after a positive start to close 1.8 per cent down on the day after rumours of disappointing first-quarter results of National Mortgage Bank pulled the banking sector lower.

The general share index, which by Friday was up more than 50 per cent since the start of the year, settled 26.05 lower at 1,394.98 in turnover of Dr13.8bn. NMB lost Dr1,480 to Dr19,610.

Analysts noted that, following a better than expected March inflation figure, the banks had begun a new round of interest rate cuts last week.

WARSAW extended its losing streak to a third straight session, prompting a warning from analysts that weakness in neighbouring markets and some attractive forthcoming primary offerings made a near-term rebound unlikely.

The Wig index fell 417.2 or 2.6 per cent to 15,846.6 and turnover rose 7.5 per cent to 160.9m zlotys.

Traders said today's inflation figures, expected to come in at below 1 per cent, were already priced in to the market but should contribute to the bourse's better performance in longer-term.

Written and edited by Michael Morgan and Jeffrey Brown

Tokyo pressured as Kuala Lumpur drops 3.3%

ASIA PACIFIC

Tokyo lost ground on heavy selling of construction stocks, high technology issues and securities houses, although Nippon Credit Bank's continued climb encouraged demand for some banking issues, *writes Gwen Robinson.*

The Nikkei 225 average shed 154.51 to 17,692.47 after moving between 17,547.35 and 17,826.88.

The market opened on a weak note following New York's plunge on Friday, which prompted investors to sell blue-chip issues.

Traders said losses in the construction sector were due mainly to sales aimed at dissolving corporate cross-shareholdings – a trend that was likely to accelerate as more Japanese companies switched to international accounting standards and cast aside the domestic corporate tradition of maintaining unprofitable shareholdings in related sectors.

Volume thinned from 485m shares to an estimated 336m. Declines led advances 686 to 392 with 159 unchanged. The Topix index of all first-section stocks slipped 9.02 to 1,327.51 and the capital-weighted Nikkei 300 was down 1.98 at 257.69.

In London, the ISE/Nikkei 50 index rose 1.20 to 1,427.97.

Securities houses fell on concerns about the widening scandal over illegal trading activities, following weekend reports that the financial authorities had expanded their investigations to encompass all the top four brokers.

Nomura Securities, the first of the big four to be accused of wrongdoing in the current scandal, slid to a record low of Y1,120 before closing Y60 lower at Y1,130.

Blue chip electricals and high-technology stocks also retreated. Sony fell Y100 to Y8,950, Tokyo Electron Y120 to Y4,540 and TDK Y180 to Y8,750. Among other blue chip losers, Honda shed Y70 to Y3,700 and Canon Y90 to Y2,800.

Bank shares were mixed. Nippon Credit Bank continued to climb on last week's news of its tie-up with Bankers Trust, gaining Y18 to Y258 on the day's highest volume of 22.9m shares. Asahi Bank gained Y8 to Y697. But Bank of Tokyo-Mitsubishi fell Y30 to Y1,760 and Sakura Bank slipped Y9 to Y601.

General contractors suffered massive selling, driving at least two leading companies down to new lows for the year. Obayashi was down Y42 at Y590, after earlier plunging to Y586. Shimizu slid Y38 to Y512, recovering from an earlier low of Y498.

In Osaka, the OSE average fell 91.52 to 18,624.08 and volume rose to 24.4m shares.

KUALA LUMPUR tumbled 3.3 per cent to a seven-and-a-half month low after leveraged retail investors were asked to top up their portfolios with cash, and in the face of a foreign institutional sell-off.

The composite index fell 37.27 to 1,101.09, reflecting, analysts said, a general downrating of Malaysia by foreign institutions on the perception that earnings growth among banks and property companies would slow down.

Among companies with large exposures to the property market, Sime Darby fell 50 cents to M$7.70 while MBf Capital dropped 20 cents to M$3.88.

TAIPEI rose strongly on bargain hunting in heavy turnover to finish with the weighted index 151.48 or 1.8 per cent higher at 8,639.37. Turnover was T$166.7bn.

Brokers said the surge was largely a technical rebound from Saturday's steep fall when the leading index came off 1.2 per cent.

Nan Ya Plastics jumped T$4.5 to T$70. Chung Fu Textile rose T$1.7 to T$26.3 and Far Eastern Textile T$3 to T$52.

MANILA closed lower, hit by the overnight weakness on Wall Street and on property fears. The main index shed 43.94 or 1.5 per cent to 2,932.84, but off the day's low of 2,916.48.

Brokers said concern over excess supplies of office and residential space had pushed down property stocks. Some banking stocks were also affected.

HONG KONG dropped 1.8 per cent, prompted by the weak showing of the local property market.

The Hang Seng index closed 220.63 lower at 12,295.97, but only after clawing back some ground from an afternoon low of 12,264.76. Turnover dipped to HK$7.6bn, well down from Friday's HK$9.3bn.

Analysts noted that over the weekend, Swire Properties offered more units in its upmarket Island Place development, but interest was lower than in previous sales.

Government moves to cool property prices and raise interest rates have also been blamed for slowing demand in the sector.

Swire Properties lost 50 cents at HK$59.75, while Henderson Land ended HK$1.50 lower at HK$62.75. Sun Hung Kai Properties also dropped HK$1.50 to HK$76.25.

SYDNEY ended down but off lows with the All Ordinaries index ending 14.4 lower at 2,366.1. Banks fell sharply at the opening but partly recovered during the afternoon. NAB finished off 17 cents at A$15.87 and Commonwealth 7 cents at A$13.07. BHP fell 13 cents to A$16.66.

SINGAPORE lost 1.6 per cent as the market digested rumours of funds switching out of equities.

The Straits Times Industrial index closed 33.84 lower at 2,034.64, having edged up from a near two-year intraday low of 2,031.07 points.

KARACHI dropped 1.6 per cent as settlement day position-squaring by retail investors turned into a selling spree on a lack of support from institutions. The KSE 100 index fell 24.21 to close at 1,523.84.

BOMBAY was closed for a public holiday. However, in a special trading sessions on Saturday in order to give investors a chance to react the fall of the United Front coalition government, and start of new coalition negotiations, the BSE-30 index lost 44.01 or 1.2 per cent, at 3,589.72.

S Africa remains in retreat

Johannesburg was down for the third session running with Wall Street's uncertainty and a bad day for the local bond market pushing the overall index lower by 55.6 to 6,966.4.

Industrials and golds faced heavy selling. Golds fell 23.8 to 1,283 on lacklustre bullion and worries about the forthcoming quarterly results season.

Vaal Reefs ended off R11.50 at R278.50 and Goldfields down R3 to R107.50. The industrial index ended 47.2 lower at 8,166.8.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS	FRIDAY APRIL 11 1997								THURSDAY APRIL 10 1997					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (76)	217.79	0.0	198.71	173.65	195.21	184.26	-0.7	4.12	217.88	198.88	173.69	194.47	185.49	225.77	188.44	202.27
Austria (24)	175.63	-1.2	160.24	140.04	157.42	157.36	-0.8	1.67	177.86	162.86	141.76	158.76	158.69	195.04	174.70	181.44
Belgium (26)	228.62	-0.8	208.59	182.29	204.92	200.60	-0.4	3.55	230.47	210.38	183.73	205.71	201.40	241.54	205.89	208.55
Brazil (30)	240.48	-2.1	219.40	191.74	215.55	468.76	-2.1	1.09	245.66	224.24	195.84	215.27	478.64	247.23	148.77	148.77
Canada (114)	178.27	-2.3	162.65	142.14	159.79	180.31	-1.9	2.18	182.38	166.48	145.39	162.79	183.74	203.31	154.12	159.98
Denmark (32)	354.30	-0.5	323.26	282.50	317.57	318.43	-0.1	1.59	355.66	324.66	283.71	317.66	316.75	376.98	291.89	296.06
Finland (28)	247.81	-1.8	225.91	197.43	221.94	267.63	-1.5	1.70	252.24	230.25	201.08	225.14	271.70	268.58	175.78	176.78
France (91)	213.69	-1.4	194.97	170.39	191.54	194.42	-1.1	2.76	216.76	197.89	172.82	193.51	196.52	226.25	186.94	194.15
Germany (59)	196.73	-0.5	179.49	156.86	176.33	176.33	-0.1	1.80	197.73	180.49	157.63	176.49	178.48	207.65	164.47	172.08
Hong Kong (66)	452.94	1.0	413.25	361.15	405.99	450.81	1.0	3.37	448.40	409.31	357.48	400.24	446.10	514.49	407.55	429.99
Indonesia (27)	225.37	0.4	205.62	176.70	202.01	332.61	0.4	1.60	224.39	204.83	178.88	200.29	331.20	-	-	-
Ireland (16)	328.49	-0.4	297.89	260.33	292.65	287.37	-0.3	3.21	327.79	299.22	261.31	292.58	298.23	343.35	264.44	264.44
Italy (59)	86.74	0.7	79.14	69.18	77.75	110.03	0.7	2.16	86.13	78.62	68.66	76.88	109.30	96.32	73.26	75.15
Japan (495)	108.92	1.3	99.38	86.85	97.63	98.85	1.3	0.80	107.57	98.19	85.75	96.01	85.75	164.68	107.57	154.70
Malaysia (107)	565.26	-0.6	515.73	450.70	506.66	545.34	-0.6	1.16	568.67	519.10	453.34	507.59	548.72	660.85	512.47	555.33
Mexico (27)	1347.34	-1.5	1229.28	1074.29	1207.65	11668.48	-1.4	1.18	1368.03	1248.77	1090.58	1221.09	11836.50	1446.68	1110.35	1198.51
Netherland (19)	334.01	-1.2	304.75	266.32	299.39	295.47	-0.8	2.65	338.10	308.62	269.53	301.78	297.98	357.18	279.88	290.80
New Zealand (14)	84.19	0.2	76.82	87.13	75.46	64.39	-0.2	4.41	84.05	76.73	67.01	75.03	64.52	95.60	75.94	81.24
Norway (41)	294.50	-1.0	268.70	234.82	263.97	278.76	-0.8	2.20	297.48	271.55	237.15	265.53	280.94	321.23	243.25	243.25
Philippines (22)	180.37	1.2	164.57	143.82	161.67	236.97	1.2	0.78	178.23	162.69	142.08	159.09	234.18	-	-	-
Singapore (43)	386.94	-2.4	353.03	308.52	346.83	256.95	-2.2	1.10	396.46	361.89	316.05	353.87	262.78	448.15	371.28	441.82
South Africa (44)	357.59	-0.1	326.26	285.12	320.52	347.72	-0.3	2.41	357.94	326.73	285.34	319.49	348.65	381.77	301.49	363.99
Spain (35)	211.35	-0.8	192.83	168.52	189.44	232.44	-0.8	2.72	213.25	194.66	170.00	190.35	234.26	228.18	171.08	171.08
Sweden (49)	417.32	-0.6	380.75	332.75	374.06	475.04	-0.7	2.20	419.95	383.34	334.78	374.84	478.34	448.84	334.35	337.07
Switzerland (36)	254.52	-0.3	232.22	202.94	228.13	231.62	-0.4	1.41	255.36	233.10	203.57	227.93	232.53	262.41	229.38	240.02
Thailand (43)	84.40	0.6	77.00	67.29	75.65	85.44	0.7	3.65	83.88	76.55	66.85	74.85	84.88	186.23	73.98	183.33
United Kingdom (211)	277.19	-0.8	252.87	220.89	248.42	252.87	-0.5	3.69	279.56	255.18	222.86	249.53	255.18	285.30	228.85	229.96
USA (653)	299.25	-2.8	273.03	238.61	268.23	299.25	-2.8	2.01	308.00	281.15	245.54	274.92	308.00	331.54	254.78	256.97
Americas (824)	274.13	-2.8	250.11	218.58	245.71	230.93	-2.6	2.00	282.01	257.42	224.81	251.72	237.52	303.45	233.09	234.96
Europe (726)	240.06	-0.8	219.03	191.41	215.17	223.56	-0.7	2.80	241.94	220.85	192.87	215.95	225.02	248.97	204.71	206.73
Nordic (150)	361.07	-0.8	329.43	287.90	323.64	355.15	-0.7	2.03	364.03	332.30	290.20	324.83	357.74	385.85	288.28	289.30
Pacific Basin (883)	128.65	0.8	117.38	102.58	115.31	100.85	0.8	1.44	127.44	116.33	101.60	113.75	99.94	177.01	127.44	167.89
Euro-Pacific (1609)	175.08	0.0	159.74	139.60	156.93	147.17	0.0	2.21	175.15	159.88	139.63	156.34	147.13	181.51	175.08	183.97
North America (767)	291.84	-2.8	266.26	232.69	261.56	291.39	-2.8	2.02	300.29	274.11	239.39	268.04	299.78	323.69	248.65	250.92
Europe Ex. UK (515)	214.89	-0.7	196.07	171.35	192.62	202.78	-0.5	2.17	216.47	197.60	172.57	193.22	203.77	224.70	185.65	188.95
Pacific Ex. Japan (398)	293.09	0.1	267.41	233.69	262.70	254.32	-0.1	2.91	292.77	267.24	233.39	261.32	254.46	320.65	268.87	290.25
World Ex. US (1824)	178.42	-0.2	162.78	142.26	159.92	152.90	-0.1	2.18	178.73	163.15	142.48	159.53	153.06	193.47	178.42	185.07
World Ex. UK (2266)	211.04	-1.5	192.55	168.28	189.17	186.98	-1.4	1.81	214.22	195.54	170.77	191.21	191.73	228.59	199.58	204.67
World Ex. Japan (1992)	271.64	-1.9	247.84	216.59	243.48	262.66	-1.9	2.33	276.90	252.76	220.74	247.16	267.87	292.72	239.10	236.13
The World Index (2477)	216.84	-1.4	197.66	172.73	194.18	184.72	-1.4	2.11	218.76	200.60	176.18	196.15	197.44	233.38	202.32	206.93

Latest prices were unavailable for this edition.